34808 - Dealing with Financial Losses in Islam

the question

What advice can you offer to those who have lost money with investment companies?

Summary of answer

How to deal with financial losses in Islam: 1- The one who is managing the investment must be honest and truthful in telling the people what really happened. 2- If there has been any carelessness of negligence on his part, then he must replace what was lost through his negligence, and he himself must bear the loss that resulted from his carelessness. 3- The owner of the capital must accept the will and decree of Allah and strive to reduce the loss and deal with its effects, and save whatever he can of his capital by all permissible means.

Detailed answer

Praise be to Allah.

Islamic Guidelines for Permissible Investment

1. The Muslim should strive to invest his money in permissible ways , not in forbidden ways, and he should avoid anything that gives rise to doubt.
2. He should choose someone who is strong, trustworthy, able to manage the money, cause it to grow and invest it, and one who has experience in all fields of investment
3. The contract of silent partnership (Mudarabah) or investment should be valid according to Shari`ah, free from invalid or prohibited conditions. It is not permissible to enter into a contract which guarantees to protect the capital or guarantees a specific amount of profit; the share of each partner should be stated, etc.
4. The investor should fear Allah with regard to his handling of people's money. He should not take that which he is unable to handle, or accept money from anyone that he knows he will

not be able to invest properly. He has to abide by the conditions of the Mudarabah . If the owner of the money stipulates that the money is to be invested in a specific country, it is not permitted to go beyond that. If he stipulated that it is to be invested in a specific field, it is not permitted to transgress that. It is not permissible to trick people and make them think that he is making money when he is not. It is a major sin to give the capital of new investors as profits to old investors when one is not doing any real trade which would cause the money to grow. It is not permissible to deceive people by claiming high profits when he knows for certain that he does not have any business that could bring this type of profit.

5. He has to fear Allah with regard to people's wealth and provide a team of financial and administrative experts who are able to develop this wealth that people have entrusted to him.

How to deal with financial losses in Islam

In the event of loss:

- The one who is managing the investment must be honest and truthful in telling the people what really happened.
- If there has been any carelessness of negligence on his part, then he must replace what was lost through his negligence, and he himself must bear the loss that resulted from his carelessness.
- The owner of the capital must, in the case of loss, accept the will and decree of Allah and strive to reduce the loss and deal with its effects, and save whatever he can of his capital by all permissible means.
- Accepting the will and decree of Allah will help the one who has lost his money to avoid a nervous breakdown and feelings of distress, so he will not go insane or collapse or commit suicide as happens to some of those who are not patient. He has to remember the following facts:

Attitude of Muslims towards calamities

The calamities that may befall a man , his wealth, his family or his society are not so bad that they justify panic; rather they are good for the believer if he deals with them well.

- They are good for him as the Prophet (peace and blessings of Allah be upon him) said: “How wonderful is the affair of the believer, for all his affairs are good, and that is not for anyone except the believer. If something good happens to him, he gives thanks for it and that is good for him. If something bad happens to him, he bears it with patience and that is good for him.” (Narrated by Muslim, 2999)
- It may be that Allah wills good for him thereby. Al-Bukhaari (5645) narrated that Abu Hurayrah (may Allah be pleased with him) said: The Messenger of Allah (peace and blessings of Allah be upon him) said: “When Allah wills good for a person, He puts him through trials .”

Ibn Hajar (may Allah have mercy on him) said: Abu ‘Ubayd Al-Harawi said: This means that He tests him with calamities so that He may reward him.

- It may mean that Allah loves him. “When Allah loves people He tests them: whoever is patient will be given the reward for patience and whoever panics will gain nothing but panic.” Its narrators are trustworthy.

It was narrated from Sakhbarah (may Allah be pleased with him) that the Prophet (peace and blessings of Allah be upon him) said: “Whoever is given something and gives thanks, or is tested and is patient, or does wrong and seeks forgiveness, or is wronged and forgives, for them (only) there is security and they are the guided [cf. Al-An’am 6:82].” (Narrated by At-Tabarani with a sound Isnad (chain of narration))

- Allah has explained in His Book the way to soothe the heart and calm a troubled mind: that is by means of patience and Istirja` (saying Inna Lillahi wa inna ilayhi raji`un), which are mentioned along with a great reward from Allah, a reward by means of which Allah will raise the status of the one who is patient and seeks His reward. This is a promise from Allah which He will fulfil, as He says (interpretation of the meaning):

“And certainly, We shall test you with something of fear, hunger, loss of wealth, lives and fruits, but give glad tidings to As- Sabirun (the patient).

Who, when afflicted with calamity, say: ‘Truly, to Allah we belong and truly, to Him we shall return [Inna Lillahi wa inna ilayhi raji`un].’

They are those on whom are the Salawat (i.e. who are blessed and will be forgiven) from their Lord, and (they are those who) receive His Mercy, and it is they who are the guided ones.” [Al-Baqarah 2:155-157]

Al-Qurtubi (may Allah have mercy on him) said:

“Allah has made the words of the Istirja`, which means saying Inna Lillaahi wa inna ilayhi raaji’oon (‘Truly, to Allah we belong and truly, to Him we shall return’) a refuge for those who are afflicted by calamities, and a protection against the devil for those who are tested, lest he gain control over them and whisper evil thoughts to them. Because if the devil whispers bad ideas, he keeps stirring up negative feelings. But when the believer resorts to these words, which encompass meanings of goodness and blessing, then the words “inna Lillahi (to Allah we belong)” are an affirmation of complete submission to Allah and an affirmation of Allah’s control of all things, just as a king deals with his kingdom however he wants. The words “wa inna ilayhi raji`un (and truly to Him we shall return)” are an affirmation of the fact that Allah will cause us to die, then He will resurrect us. It also expresses hope of reward from Allah.

One of the immediate blessings of this Istirja`, in addition to what we have mentioned above, is that which was narrated by Umm Salamah (may Allah be pleased with her), who said, “I heard the Messenger of Allah (peace and blessings of Allah be upon him) say: ‘There is no Muslim who is stricken with a calamity , and he says that which Allah has commanded him to say, Inna Lillahi wa inna ilayhi raji`un, Allahumma ajurni fi musibati wa akhluf li khayran minha (Truly, to Allah we belong and truly, to Him we shall return. O Allah, reward me for my calamity and compensate me with something better than it), but Allah will compensate me with something better than it.’”

- It is an expiation for his sins, because Al-Bukhari and Muslim narrated that `Aishah (may

Allah be pleased with her) said: The Messenger of Allah (peace and blessings of Allah be upon him) said: “There is no calamity that befalls a Muslim but Allah expiates sin thereby, even a thorn that pricks him.”

- What is required is steadfastness and patience from the first moment one hears bad news or hears of the investment company’s losses, for example. This will guard against heart attacks or nervous breakdowns, in addition to the fact that the patience for which a person will be rewarded is patience in the face of the initial shock. The Prophet (peace and blessings of Allah be upon him) said: “Patience is at the first shock.” (Narrated by Al-Bukhari, 1238 and Muslim, 926)

An-Nawawi (may Allah have mercy on him) said: What this means is complete patience which brings a great reward because it is so difficult.

- If a person handles calamity well, it will become a blessing for him, because Allah will expiate sins thereby and raise him in status.

Allah may grant blessing by means of calamity, even if it is great, and He may test some people by means of blessings.

- The Muslim must believe with certainty that the loss of his money is not a sign that Allah despises him. Allah has told us that richness and poverty are means of tests and trials. Allah says (interpretation of the meaning):

“As for man, when his Lord tries him by giving him honour and bounties, then he says (in exultation): ‘My Lord has honoured me.’ But when He tries him by straitening his means of life, he says: ‘My Lord has humiliated me!’” [Al-Fajr 89:15-16]

- When calamity strikes, the Muslim must follow the example of those who came before us, righteous slaves of Allah who suffered calamity. Allah says, describing how He relieved Ayyub (peace be upon him) of his suffering, “as a mercy from Ourselves” [Al-Anbiya’ 21:84 - interpretation of the meaning], i.e., We relieved him of his distress as a mercy from Us to him, and as an act of kindness; “and a Reminder for all who worship Us” [ibid] means, as a

reminder to those who are tested with regard to physical health, wealth or children, that they have an example in the Prophet of Allah Ayyub (peace be upon him), whom Allah tested with far greater calamities, but he bore it with patience and sought Allah's reward, until Allah relieved him of that.

There came to the caliph Al-Walid ibn `Abd Al-Malik an old man from `Abs who was blind. When he sat with him one evening, Al-Walid asked him how he was, and he said, "O Amir Al-Mu'minin, there was a time when there was no man in `Abs who had more money, horses, camels or children, or who was stronger in respect of men [cf. Al-Kahf 18:34], or higher in status.

There came to us a flood that took away our families, children and wealth, and there was no one left but a newborn boy and a camel calf. I fought my way to the boy and picked him up, then I tried to catch up with the camel which was running away, and when I could not catch the camel, I put the boy on the ground and chased the camel. I heard the boy screaming, and when I came back I found that the wolf had eaten him. I chased the camel and when I caught it, it kicked me in the face and blinded me, and threw me on my back. When I came to, I thought to myself, just last night I was a man of great wealth, with money, wives, children and a high status among the tribes; now I am empty-handed and unable to see, with no children, no wives, and no wealth – and I praised Allah for that." Al-Walid said: "Take him to `Urwah ibn Az-Zubayr, and so that he may realise that there is someone in this world who has been tested more severely than him, and has been more patient and steadfast."

How many trials have turned out to be a blessing. It may be better for a person to be poor and sick, because if he had been healthy and rich he may have committed much evil. "And if Allah were to enlarge the provision for His slaves, they would surely rebel in the earth" [Ash-Shura 42:27 – interpretation of the meaning].

- The collapse of an investment company does not mean that he will not get any of his money back. He may get half of it, or more or less. Even if he loses all his money, that is not the end of the world, and he need not give up hope. Allah may bless him with other wealth in the future, and compensate him if he is patient.

1. Everyone who has given out false information, or made people think something that was not true, or used trickery and deceit, or taken money from people to invest in a specific area, then deceived them by putting it with failing investment companies and splitting the profits between himself and them, has to repent to Allah.

Similarly, whoever takes risks with people's money, or the savings of his sister, mother or wife, and does not tell them what he is really going to do with it, or whoever takes out an interest-based loan in order to join these investment companies, also has to repent. Perhaps finding out the truth will be a great lesson from which he must learn.

1. Those who previously advised people not to take such risks, should realise that it is not appropriate to rejoice in the misfortunes of others in such cases. They must strive to reduce the calamity by all means, and relieve the distress, and offer all kinds of support to those who have been affected.
2. The religion of Islam and its sincere followers have nothing whatsoever to do with the consequences of any kind of such lies, deceit, trickery, betrayal, misconduct or reckless investment. Rather the negligent should bear the blame and should not blame others for his recklessness, misconduct and deceit.

Allah says (interpretation of the meaning):

"That no burdened person (with sins) shall bear the burden (sins) of another." [An-Najm 53:38]

"And whenever you give your word (i.e. judge between men or give evidence), say the truth." [Al-An`am 6:152]

"Be just: that is nearer to piety." [Al-Ma'idah 5:8]

"Stand out firmly for justice." [An-Nisa' 4:135]

1. It is essential to follow the means prescribed in Shari`ah in the event of loss. So the remaining money should be shared out among the owners of the capital, giving each of them a share of the remaining money based on the original percentage of capital he invested.

It is not permissible to sell unpaid debts and money for a smaller amount of money, because that is combining Riba Al-fadl and Riba An-nasi'ah, and riba is one of the most serious of major sins.

1. The Muslims should strive to support one another. There is no room for slander, curses, divorcing one's wife, disobeying one's parents, severing ties of kinship or attacking others.

Those Muslims who are able to do so should help the owners of capital among the poor, weak, orphans, widows and disabled, and those who have limited incomes or who have sold their houses and cars or stopped their businesses in order to invest in this losing venture. They should also save whatever can be saved of charitable donations which were wrongfully invested in these ventures without the permission of the donors, because there is no one to pursue the matter and salvage whatever can be saved of these charitable donations.

Muslim lawyers should strive to help the weak to gain their rights and seek reward with Allah for saving charitable donations, proving the innocence of the innocent and offering consultation and sincere advice for the sake of Islam.

We ask Allah to compensate those who have been stricken with calamity with something better and to grant them patience in dealing with that which has befallen them, for He is the best of providers.

And Allah knows best.