475245 - Is it permissible to deduct something from an employee’s salary towards paying off a debt that he owes?

the question

If a worker takes a loan from the boss or the company, is it permissible to agree to cancel the debt and give the employee a lower wage for a while?

Summary of answer

It is permissible for the workplace to deduct something from the employee’s salary to pay off a debt that he owes to them, provided that that is done with the consent of both parties and provided that it will not add up to more than what is owed.

Detailed answer

Praise be to Allah.

If the employee takes a loan from his work, and there is an agreement that it will be paid back through deductions from his salary, then there are two forms of this agreement, one of which is permissible and the other is not allowed.

The first form:

This is when the deduction from the salary is equal to what you owe or less than that, then the salary will go back to normal [after the debt has been paid off]. This is permissible, and it may be worked out on the basis of the remaining time of the contract, or by agreeing on the time period within which deductions will be made from the salary. This is one way of paying off the loan if it is done with the consent of both parties.

It is as if you are giving permission to the company to deduct something from your salary that you

earn as instalments towards paying off the debt. There is nothing wrong with this.

The second form:

This is when the deduction that is taken from your salary will add up to more than the amount of the debt. This is not permissible, because it becomes a loan that brings a benefit. So it is as if the company loaned you ten thousand, for example, then takes back more than that through deductions from your salary.

It is not permissible for the lender to ask for or accept any material or intangible privileges or benefits, or to accept any such thing from the borrower, either before giving the loan or during the period of the loan (before the debt is paid off).

It was narrated that Abu Burdah (may Allah be pleased with him) said: I came to Madinah and met ‘Abdullah ibn Salaam (may Allah be pleased with him), who said to me: You live in a land where dealing with riba is widespread. If someone owes you something and he gives you a load of hay, or a load of barley, or a load of fodder for free, do not accept it, for it is riba. Narrated by al-Bukhari (3603).

Ibn al-Mundhir said: The scholars were unanimously agreed that in the case of giving a loan, if the lender stipulates that he wants a gift worth one tenth of the loan or more, and he gives the loan on that basis, his taking of the extra amount is riba. End quote from *al-Ijma‘* by Ibn al-Mundhir (p. 99).

Ibn al-Qayyim (may Allah have mercy on him) said: It was narrated from more than one of the prominent Sahabah – such as Ubayy, Ibn Mas‘ud, ‘Abdullah ibn Salaam, Ibn ‘Umar and Ibn ‘Abbas – that they forbade the lender to accept any gifts from the borrower, and they regarded accepting it as riba."(*I‘lam al-Muwaqqi‘in* 4/66).

Ibn Qudamah (may Allah have mercy on him) said, regarding giving a gift to the lender: If the borrower does that without prior stipulation before paying off the debt, the lender should not accept it, and it is not permissible to accept it unless he gives him a gift in return, or counts it as part of payment for the loan, unless they had the habit of exchanging gifts before the loan. That is

because of the report narrated by al-Athram, according to which a man was owed twenty dirhams by a fisherman, who started to give him fish and estimate their value, then when the total reached thirteen dirhams, he asked Ibn ‘Abbas about that, and he said [to the fisherman]: Give him seven dirhams."(A*l-Mughni* 6/437).

Another issue to pay attention to is if the period for reduction of the salary is unknown, or that reduction is permanent; in that case, this is not permissible, because it is a kind of gambling, which is haram. That is because he may have taken the loan in return for a reduction in his salary, or for giving up his salary for an unknown period, or permanently, and his salary during that period may add up to more than the loan that he took, in which case he will have lost more than what he owed, or it may add up to less than that, in which case he will have gained by not paying the full amount of the debt he owed. This is what gambling is, and it is haram.

And Allah knows best.