82011 - Taking a loan in order to buy shares

the question

What is your opinion of someone who takes a loan in order to buy shares?.

Detailed answer

Praise be to Allah.

A person should not get too deeply involved in taking loans, rather he should only take out loans for things that are necessary or essential.

The Prophet (peace and blessings of Allaah be upon him) used to seek refuge with Allaah from debt. Al-Bukhaari (883) narrated from ‘Aa’ishah (may Allaah be pleased with her) that the Messenger of Allaah (peace and blessings of Allaah be upon him) used to say in du’aa’ when praying: Allaahumma inni a’oodhi bika min al-ma’tham wa’l-maghram (O Allaah, I seek refuge with You from sin and debt).” Someone said to him, “How often you seek refuge with Allaah from debt!” He said, “If a man gets into debt, he speaks and lies, he makes a promise then breaks it.” And he (peace and blessings of Allaah be upon him) used to call on people to pay off debts.

The Prophet (peace and blessings of Allaah be upon him) also used to say in his du’aa’: “Allaahumma anta al-awwal fa laysa qablaka shay’un, wa anta al-aakhir fa laysa ba’daka shay’un, wa anta al-zaahir fa laysa fawqaka shay’un, wa anta al-baatin fa laysa doonaka shay’un, iqdi ‘anna al-dayn wa aghnina min al-faqr (O Allaah, You are the First and there is nothing before You, You are the Last and there is nothing after You, You are the Most High and there is nothing above You, and You are the Most Near and there is nothing closer than You. Settle our debt for us and spare us from poverty).” Narrated by al-Bukhaari (4888).

One of the dangers of debt is that the martyr who dies for the sake of Allaah in battle will not be forgiven for debt.

Muslim narrated (1886) from ‘Abd-Allaah ibn ‘Amr ibn al-‘Aas that the Messenger of Allaah (peace and blessings of Allaah be upon him) said: “The shaheed will be forgiven for every sin except debt.”

And al-Nasaa’i narrated (4605) that Muhammad ibn Jahsh (may Allaah be pleased with him) said: We were sitting with the Messenger of Allaah (peace and blessings of Allaah be upon him) when he raised his head towards the sky, then he put his palm on his forehead and said: “Subhaan-Allaah! What a strict issue has been revealed to me!” We remained silent and were afraid. The following morning I asked him, “O Messenger of Allaah, what is this strict issue that has been revealed?” He said, “By the One in Whose hand is my soul, if a man were killed in battle for the sake of Allaah, then brought back to life, then killed and brought back to life again, then killed, and he owed a debt, he would not enter Paradise until his debt was paid off.” Classed as hasan by al-Albaani in Saheeh al-Nasaa’i, 4367.

Because of this – and other – evidence, one should not get deeply involved in debt, taking loans for necessary and unnecessary things, or borrowing large amounts of money in order to get into business when he does not know, perhaps Allaah will not grant him success in this business, and then what will he do? How will he be able to pay off this large amount from his salary that is barely sufficient for his own living expenses?

Hence the wise man should be content with that which Allaah has given him of halaal provision, and not look at those who are above him in terms of worldly gains and wealth. Rather he should look at those who are beneath him and have less wealth than him. If his salary is not enough, then he should look for other work through which Allaah may grant him sufficient provision. As for taking risks and taking loans that he is unable to pay off, this is not right.

Shaykh Ibn ‘Uthaymeen (may Allaah have mercy on him) was asked: What is the ruling on buying shares in companies? And what is the ruling on taking loans in order to buy shares?

He replied:

Buying shares in companies is subject to further discussion, because we have heard that they put

their money in a foreign bank, or a virtually foreign bank, and they take interest on it, and this is riba. If that is true then buying shares in them is haraam, and is a major sin, because riba is a major sin. But if it is free of that, then buying shares is halaal so long as there are no other shar'i reservations.

As for taking a loan in order to buy these shares, whether the loan is taken in a shar'i way, such as an interest-free loan, or in a way that involves blatant riba, or a way that involves hidden riba by means of a trick intended to deceive Allaah and the Muslims, that is foolishness, because he does not know whether he will be able to pay it off in the future or not, so how can he get involved in this loan, when Allaah says (interpretation of the meaning): "And let those who find not the financial means for marriage keep themselves chaste, until Allaah enriches them of His Bounty" [al-Noor 24:33]? Allaah did not tell these people who cannot afford it to take out loans, even though the need for marriage is greater than the need for wealth. Similarly, the Prophet (peace and blessings of Allaah be upon him) did not tell the one who could not afford it to do that, and he did not tell the one who could not find an iron ring for a mahr to do that. As this is the case, it indicates that the Lawgiver does not approve of taking loans, so the wise man who is keen to protect his religious commitment and reputation will beware of indulging in loans. End quote.

Majmoo' Fataawa Ibn 'Uthaymeen (18/195).

And Allaah knows best.