126366 - The ministry takes interest-based loans from the bank and lends to the unemployed without interest

the question

Is the following transaction permissible?
One of the ministries in our country is going to give me a loan for a small project and repayment will be on easy terms for me. But the problem is that the loan will be done through a bank. For me payment will be without interest, but the bank will take interest from the Department in question, which suggested that to me and is sponsoring this project. Is this regarded as coming under the heading of interest-based loans? Is it permissible for me to take this loan or not?.

Detailed answer

Praise be to Allah.

If the matter is as you describe, there is nothing wrong with you taking this loan, because it is a goodly loan without interest. The fact that the one who is lending it to you -- which is the department in question -- has borrowed this money with interest, does not affect you, because you are not dealing with interest and because the one who takes a loan with interest takes possession of the money that he borrows, according to the more correct scholarly view, and it is permissible for him to dispose of it by giving it or lending it or otherwise, even though he is committing sin by dealing with riba.

See: al-Manfa'ah fi'l-Qard, by 'Abd-Allaah ibn Muhammad al-'Imraani, p. 245-254

We ask Allaah to make things easy for you, to meet your needs and to bless you in your livelihood.

And Allaah knows best.