33709 - A company is offering a riba-based loan to its employees

the question

A company is offering its employees a benefit . Employees can get a home building loan from any bank . The company will pay all the interest accruing to this loan i.e the employee is not paying the interest.But the employee will have to pay some tax on this interest to the Govt.There is no tax on the principal.I would like to know whether such a loan is halal or haram for the employee?.

Detailed answer

Praise be to Allah.

It is not permissible for the employees to take this loan when they are – in fact – one of the parties to the contract. It is proven in the saheeh Sunnah that the one who consumes riba [usury, interest], the one who pays it, the one who writes it down and the two who witness it are cursed.

It was narrated that Jaabir said: The Messenger of Allaah (peace and blessings of Allaah be upon him) cursed the one who consumes riba, the one who pays it, the one who writes it down and the two who witness it, and he said, “They are all the same.”

Narrated by Muslim, 1598.

It seems that the company will only take this riba-based loan if the employee applies for it and cooperates with the company in getting this riba-based contract. And Allaah says (interpretation of the meaning):

“do not help one another in sin and transgression”

[al-Maa’idah 5:2]

These employees have to do without this loan, and seek the reward for not taking it with Allaah, and Allaah may compensate them with something better than that which they refrained from.

And Allaah knows best.