39829 - Borrowing from a riba-based bank in order to buy a house

the question

I want to take a loan from the bank in order to buy a house. This will involve the following:
1 – I join the bank al-iskaan (bank that deals in mortgages) and pay 182 dinars a month for four years, i.e., 8736 dinars in total, which will become 10,000 dinars (deposits plus interest).
2 – Then I will be able to borrow 20,000 dinars from the bank, which I will have 13 years to pay back at an interest rate of 6.75% per year.
3 – In addition to that, there is a top-up loan of 20,000 with an interest rate of 8.25%.
When I move into the house, I will be renting it from the bank until the loan is paid off, then it will become mine. The period for paying off the loan is between 13 and 15 years. What is the ruling on this?.

Detailed answer

Praise be to Allah.

Dealing with riba (usury, interest) is a major sin against which Allaah has issued a stern warning. He says (interpretation of the meaning):

“O you who believe! Fear Allaah and give up what remains (due to you) from Ribaa (from now onward) if you are (really) believers.

279. And if you do not do it, then take a notice of war from Allaah and His Messenger but if you repent, you shall have your capital sums. Deal not unjustly (by asking more than your capital sums), and you shall not be dealt with unjustly (by receiving less than your capital sums)”

[al-Baqarah 2:278]

“Those who eat Ribaa will not stand (on the Day of Resurrection) except like the standing of a person beaten by Shaytaan (Satan) leading him to insanity. That is because they say: “Trading is

only like Riba," whereas Allaah has permitted trading and forbidden Riba. So whosoever receives an admonition from his Lord and stops eating Riba, shall not be punished for the past; his case is for Allaah (to judge); but whoever returns (to Riba), such are the dwellers of the Fire — they will abide therein"

[al-Baqarah 2:275]

And it was proven that the Prophet (peace and blessings of Allaah be upon him) cursed the one who consumes riba and the one who pays it. Narrated by al-Bukhaari, 5962. In the transaction asked about here, both the individual and the bank are giving and taking riba. The Prophet (peace and blessings of Allaah be upon him) said: "A dirham which a man consumes as riba knowingly is worse before Allaah than thirty-six acts of zina." Narrated by Ahmad and al-Tabaraani; classed as saheeh by al-Albaani in Saheeh al-Jaami', no. 3375. And he said: "There are seventy-two types of riba, the least of which is like a man committing incest with his mother." Narrated by al-Tabaraani in al-Awsat; classed as saheeh by al-Albaani in Saheeh al-Jaami', no. 3537.

The scholars are unanimously agreed that every loan involving interest or any kind of benefit is haraam. Ibn Qudaamah (may Allaah have mercy on him) said: Every loan in which it is stipulated that an additional payment be made is haraam, with no scholarly dispute. Ibn al-Mundhir said: They are unanimously agreed that if the lender stipulates that the borrower must pay extra or give a gift, and he gives the loan on this basis, this is riba. It was narrated from Ubayy ibn Ka'b, Ibn 'Abbaas and Ibn Mas'ood that they forbade loans that lead to any kind of benefit (extra payment, gifts, etc). Al-Mughni, 6/436.

Secondly:

With regard to the idea of you renting the house until the loan is paid off, after which it will be yours, this is also haraam. We have already stated in the answer to question no (14304) that rent-to-own schemes are haraam.

To sum up, this transaction is haraam and it is darkness upon darkness. It is not permissible for a Muslim to take the matter of riba transactions lightly after the stern warning about such

transactions has been proven and it has been definitively established that they are haraam. Rather what he must do is to seek that which is halaal, for every body that is nourished by haraam, the Fire is more suited for it. But whoever gives up something for the sake of Allaah, Allaah will compensate him with something better than it.

The Standing Committee was asked about the Islamic ruling on taking a loan from a riba-based bank in order to build a modest house. They replied:

It is haraam to take a loan from banks or elsewhere with riba, whether that is to build something or to spend it on food, clothing or medical expenses or to start a business and earn more money, or any other purpose, because of the general meaning of the verses that forbid riba, and the general meaning of the ahaadeeth which indicate that it is haraam. Similarly it is not permissible to deposit money in banks etc that pay interest.

And Allaah is the Source of strength. May Allaah send blessing and peace upon our Prophet Muhammad and his family and companions.

Fataawa al-Lajnah al-Daa'imah (13/385).

And Allaah knows best.