409541 - If only part of a loan is potentially interestbased is all of it haram or only that part

the question

I took a loan from the university for over 2 years. The amount was more than 10,000 euros (about 15,000). I have to pay only 10,000 euros back once I\'m done with university, and if I don\'t do it by a certain time, I have to pay interest for it. But I can keep the rest of the money (5,000 euros). is this money haram? Is all of it haram, or only the 10,000€ that I have to pay back? Can I continue to take the loan?

Detailed answer

Praise be to Allah.

It is not permissible to agree between the lender and the borrower that if the borrower is late in repayment, they will pay an extra amount for the delay, because this extra amount is usury, and it is not permissible for a Muslim to agree to usury, even if they are determined to repay on time.

Please see the answer to question number: (136378).

Based on this, you must repent from this prohibited contract, by regretting what you have done, and resolving not to return to such a loan again.

As for the money, it is lawful for you, because whoever borrows with usury has indeed taken ownership of the money they borrowed, even though they are guilty of the sin of usury. This is the view of Abu Hanifah, Ahmad, and an opinion among the Shafi`is.

See: "Al-Manfa`ah fi Al-Qard" by Dr. Abdullah Al-Omrani (pp. 245-254).

It is mandatory for you to ensure that you repay the loan on time so that you do not actually pay

usury, and so that the threat directed at "the one who indulges in usury" does not befall you; if you repay the loan on time and do not enter into the usurious increase, we hope that Allah will pardon you for entering into this contract, despite its prohibited usurious condition.

As for the extra money that you can keep and not repay: it is a gift from the university to you, and there is no harm in you benefiting from it.

And Allah knows best.