750 - This is the essence of ribaa

the question

A person wanted to borrow money from one of the banks without paying interest, because interest is considered to be ribaa. But one of the managers in that bank told him: If you want to avoid ribaa, you can take a million from us, and one year later, if you can afford it, you can give us two million, one million which is due to us, and another million which we will keep for one year in return for the year during which you kept our million. After one year, you can take your million back. Is this considered to be ribaa or not? Please advise us, may Allaah reward you.

Detailed answer

Praise be to Allah.

This is the essence of ribaa, and is not permitted under any circumstances, because the purpose of lending is to help Muslims. It was narrated from Ibn ‘Abbaas (may Allaah be pleased with him) that a loan is like an act of charity. If the bank lends you one million riyaals for a period of one year, and after that year passes you return the million that you borrowed and add another million for them to keep for a year in return for their loan to you, this is haraam according to the consensus of the Muslim scholars. The Messenger of Allaah (peace and blessings of Allaah be upon him) said: “Every loan which brings benefits is ribaa.” (this version narrated by al-Baghawi). The bank lent you one million riyaals on the condition that you give them one million more than what is due to them, so that they can buy and sell with it and keep the profits for themselves. This condition brings benefits, so it is an invalid condition according to the consensus of the Muslim scholars. All that you have to do is to give the bank the million that you borrowed from them, and not another million to benefit from for a year. This is not permissible according to the consensus of the Muslim scholars. The bank is not entitled to anything except getting its money back, because Allaah says (interpretation of the meaning):

“O you who believe! Be afraid of Allaah and give up what remains (due to you) from Ribaa (from

now onward) if you are (really) believers.

And if you do not do it, then take a notice of war from Allaah and His Messengerbut 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 2:278-289]