12823 - Bank’s interest is called riba (usury) in sharee’ah

the question

Is it true that Islam prohibits financial investment into assets that provide a fixed rate of return?

Detailed answer

Praise be to Allah.

The religion of Islam is the true religion which was brought by the Messenger of Allaah (peace and blessings of Allaah be upon him). It includes the most perfect laws, as Allaah says (interpretation of the meaning):

“This day, I have perfected your religion for you, completed My Favour upon you”

[al-Maa'idah 5:3]

The sharee’ah (law) of the Qur’aan is a perfect, comprehensive and eternal law, containing all the rulings which bring happiness to people in this life and in the Hereafter. That includes rulings on matters of finance, the rulings which regulate and list the means of earning and spending money. It is not permissible to earn money in every way or to dispose of money in whatever way a person desires. In all these matters, one has to submit to the laws of Allaah, which include the prohibition on interest. Allaah says (interpretation of the meaning):

“Allaah has permitted trading and forbidden Riba” [al-Baqarah 2:275]

“O you who believe! Be afraid of Allaah and give up what remains (due to you) from Riba” [al-Baqarah 2:278]

Some of the obvious forms of riba include taking and giving interest on loans. Loans with interest are not permissible, and what is called interest in the language of the banks is riba in the language of sharee’ah. The “goodly loan” (al-qard al-hasanah), on the other hand, is the loan by means of

which one intends to show kindness to another and do him a favour, which does not involve taking interest. What the banks call loans are in fact contracts of riba. Allaah is Wise in His rulings because He has prescribed that which is in man’s interests in this life and in the Hereafter, and He is the All-Wise, All-Knowing.