

101260 - Taking interest to make up for loss of money's real value

the question

Money loses its buying power as much as life becomes more expensive. For example, if life becomes 2% more expensive, the buying power of a 100 dinar today will be 102 in a year's time. What is the ruling if I deal with a bank just to keep my money's buying power, i.e. receive interest that just makes up the loss of my money's purchasing value?.

Detailed answer

Firstly:

Undoubtedly the ever-rising cost of living means that keeping money will cause it to lose some of its buying power. Hence you should look for Islamically acceptable ways of investing it.

Based on the risks involved in investment and the loss of trust in investment companies among many people, some of them have resorted to putting their money in riba-based banks and taking interest. This stems either from ignorance of the fact that this is haraam, or from preferring this world over the Hereafter. Putting money in riba-based banks is gravely haraam, because it is riba, for which the one who consumes it, the one who pays it, the one who writes it down and the two who witness it are all cursed. It is the riba for which Allaah has issued a declaration of war and divine wrath for the one who does it.

Allaah 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 2:278-279]

Muslim (1598) narrated that Jaabir (may Allaah be pleased with him) said: The Messenger of Allaah (peace and blessings of Allaah be upon him) cursed the one who consumes riba and 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.

And he (peace and blessings of Allaah be upon him) said: “A dirham of riba that a man consumes knowingly is worse before Allaah than committing zina thirty-six times.” Narrated by Ahmad and al-Tabaraani; classed as saheeh by al-Albaani in Saheeh al-Jaami’ no. 3375.

In fact depositing one’s money in these banks is a loan with interest. The lender is the customer and the borrower is the bank, because a loan means giving the money then taking something else in return. Calling that a deposit (wadee’ah) is an obvious misnomer, because the wadee’ah is kept as is and is not disposed of, such as putting money in a safety vault box for example, where the money itself remains and does not change. But the bank disposes of the money as one who owns it, with the commitment to back a similar amount, and this is a loan. If it comes with a commitment to pay interest, then it is a riba-based loan on which there is scholarly consensus that it is haraam.

Imam Ibn Qudaamah (may Allaah have mercy on him) said: “Every loan in which it is stipulated that something extra must be paid back is haraam, with no difference of scholarly opinion. Ibn al-Mundhir said: [the scholars] are unanimously agreed that if the lender stipulates that the borrower must pay extra or give him a gift, and he lends him money on that basis, then accepting the extra payment is riba. It was narrated from Ubayy ibn Ka’b, Ibn ‘Abbaas and Ibn Mas’ood that they forbade every loan that brings benefits. End quote from al-Mughni (6/436).

Ibn ‘Abd al-Barr said: Every additional amount given in return for a loan or favour that benefits the lender is riba, even if it is just a handful of animal feed. That is haraam if it is stipulated. End quote. End quote from al-Kaafi (2/359).

A loss in the buying power of money does not make it permissible to stipulate interest which is the essence of riba. Rather the loan should be repaid as is even if its value has decreased.

It says in Mawsoo'ah Fataawa al-Azhar, in a fatwa of Shaykh Jaad al-Haqq, the former Shaykh of al-Azhar (may Allaah have mercy on him) concerning the issue under discussion, which we will quote for the benefit of readers:

Question: The questioner was given some investment certificates of group (b) by his father as a marriage gift, and they are still in his possession.

He is entitled to cash them in now and they have profits from the time he kept them.

His question is: Are they halaal with their profits?

Please note that the cash value now with the profits is less than their value at the time when they were bought and given.

He replied: The fuqaha' of sharee'ah defined riba as being anything that is added to wealth without anything in return.

Allaah has forbidden riba in many verses of the Holy Qur'aan, the last of which to be revealed, according to a saheeh report narrated from Ibn 'Abbaas (may Allaah be pleased with him), is the passage in which Allaah, may He be glorified and exalted, says (interpretation of the meaning):

“Those who consume Riba 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 consuming 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.

276. Allaah will destroy Riba and will give increase for Sadaqaat (deeds of charity, alms). And Allaah likes not the disbelievers, sinners.”

[al-Baqarah 2:275-276]

It is also forbidden in the hadeeth which was narrated by al-Bukhaari, Muslim and others from Abu Sa'eed al-Khudri (may Allaah be pleased with him) who said: The Messenger of Allaah

(peace and blessings of Allaah be upon him) said: “Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, salt for salt, like for like, hand to hand, and whoever gives more or asks for more has engaged in riba; the taker and the giver are both the same.”

Because these texts imply that riba includes all additions to the money borrowed or deposited on the basis of a precondition for nothing in return, the Muslims are unanimously agreed that it is haraam, following the texts of the Qur’aan and the Sunnah.

Because the investment certificates of group (b) bring a specified amount of interest, that is stipulated in advance in terms of time and amount, they come under the heading of riba that is forbidden in sharee’ah on the basis of these texts, as it is a loan with interest that is stipulated in advance in terms of time and amount.

As for what is mentioned in the question about these purchase certificates and their profits being less than their value at the time when they were given to the questioner or at the time when they were bought, this is not a valid justification for regarding this interest as permissible. Imam al-Isbejaabi narrated in Sharh al-Tahhaawi that the fuqaha’ were unanimously agreed that if money is not taken out of circulation, but its value increases and decreases, the borrower must give what he took in terms of amount so long as the type of money is specified (Risaalat Tanbeeh al-Ruqood ‘ala Masaa’il al-Muqood min Rakhs wa Ghala’ wa Kasaad wa Inqitaa’ by al-‘Allaamah Ibn ‘Aabideen (vol. 2, Majmoo’ al-Rasaa’il p. 58-67).

As this is the case, the nominal value of these certificates is permissible, as it originally most likely came as a gift from halaal earnings, as we assume that the believers are of good character and conduct.

As for the interest that was earned in accordance with the system, it is riba which is haraam because it was specified, and it is not permissible for the Muslim to benefit from this interest because it is haraam earnings. He may take it and dispose of it in any charitable way such as building mosques or hospitals or giving it to a poor or needy person in the ways indicated by the Sunnah of the Messenger of Allaah (peace and blessings of Allaah be upon him) with regard to disposal of haraam earnings, so as to free the Muslim of any responsibility before Allaah.

It is narrated in a hadeeth that Abu Barzah al-Aslami (may Allaah be pleased with him) said: The Messenger of Allaah (peace and blessings of Allaah be upon him) said: “The feet of the slave will not move on the Day of Resurrection until he is asked about his life and how he spent it, his knowledge and what he did with it, his wealth and how he earned it and how he spent it, and his body and what he did with it.” And Allaah, may He be glorified, knows best. End quote.

Hence we say to our brother: You should either look for Islamically-acceptable ways of investing the money, even if that is buying goods which usually keep their value, such as land and gold and the like, or by being patient and seeking reward, and putting up with the loss in value that results from keeping money.

Secondly:

It is not permissible to put money in a riba-based bank except for the purpose of protecting it if there is the fear that it may be stolen. In that case it should be put in a current account, not in a savings account, so as to do the lesser of two evils. If interest is paid on it, then you must get rid of it by giving it to the poor and needy or spending it in the public interest, and it is not permissible for the owner of the money to benefit from any of it.

We ask Allaah to help and guide us and you.

And Allaah knows best.