

342517 - The ruling on buying an apartment from a cooperative housing company with bank financing

the question

I live in Finland and want to buy a house. In Finland, when you buy an apartment what you are actually buying are shares in a housing company (cooperative). Owning shares in a housing company, corresponding to "one apartment", is considered as "owning your own home" in Finland. A housing company is a legal and nonprofit entity that owns many residential buildings. The housing company is owned and managed by the residents. The housing company is responsible for the maintenance of buildings and common areas. The buyer pays a small monthly maintenance fee to the company which covers heating, water, upkeep of the common areas, staff salary etc. For major renovations, such as pipe renovation which is very expensive and done once every 50 years, housing companies often take loans from banks. Depending upon the apartment size every apartment owner has to pay a part of the loan through monthly payments to the company. An apartment owner can also choose to make a one-off payment of his part of the loan to the company. Is it halal to buy a house or apartment in a housing cooperative as purchasing an apartment is actually buying shares in the housing company which can take interest-based loans from banks for major renovations. Alternative option is to buy a standalone house which common people usually cannot afford to buy through cash.

Detailed answer

First: It is not permissible for a housing company to borrow with Riba (interest/usury). It is also not permissible to invest in this company as long as it borrows with Riba. This is because the company acts as an agent for the shareholders in its dealings. Therefore, the shareholders bear the sin of any prohibited actions the company undertakes if they are aware of them.

Borrowing with Riba is one of the major sins. Severe warnings and declarations of war from Allah and His Messenger have been issued regarding it, unlike any other sin.

Allah Says (translation of the meaning): {O you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers. And if you do not, then be informed of a war [against you] from Allah and His Messenger. But if you repent, you may have your principal - [thus] you do no wrong, nor are you wronged} [Al-Baqarah 278-279].

Muslim (1598) narrated from Jabir (may Allah be pleased with him) that he said: "The Messenger of Allah (peace and blessings be upon him) cursed the one who consumes Riba (interest/usury), 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)."

Al-Qurtubi (may Allah have mercy on him) said in his Tafsir (3/241): "Muslims have unanimously agreed, based on narrations from their Prophet (peace and blessings be upon him), that stipulating an increase in a loan is Riba, even if it were a handful of fodder - as Ibn Mas`ud said - or a single grain."

Secondly: In many cases, the reality of this transaction is that the buyer purchases his apartment from the housing company, and the company connects him with a bank to pay the price of the apartment in cash on his behalf, and he repays it in installments with an increase. This is common in government and community housing projects. Here, the borrower is the owner of the apartment, and this is more reprehensible and severe than the case where the loan is in the name of the housing company, and both are prohibited.

Thirdly: It is prohibited to purchase apartments through Riba, regardless of the form of the transaction. The high cost of housing is not considered a necessity that permits Riba. A person should limit themselves to renting until Allah grants them ease.

Among the permissible alternatives is to search for someone who buys the apartment and then sells it to you. Some banks and investment companies do this, where the bank buys the apartment, receives it, and then sells it in installments. For more information, please see the answer to question number ([110006](#)).

And Allah knows best.