



IN THE NAME OF ALLAH THE MOST GRACIOUS, THE MOST MERCIFUL

VERSES OF QUR'AN BEGINNING WITH **آمَنُوا الَّذِينَ آتَيْهَا يَا**

PART 5 (26 October 2022)

(Explanations taken from Tafsir Ibn Kathir)

9. Qur'an surah al Baqarah (2) verse 278

آمَنُوا اتَّقُوا اللَّهَ يَا أَيُّهَا الَّذِينَ
وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنْتُمْ
مُؤْمِنِينَ

“O you who believe! Be afraid of Allah and give up what remains (due to you) from *Riba* (usury) (from now onward), if you are (really) believers.”

What is riba?

Riba means an increase in a particular item. The word is derived from a root meaning increase or growth. Allah, may He be exalted, says (interpretation of the meaning):

فِي يَرْبُوعٍ رِبًا مِنْ آتَيْتُمْ وَمَا
اللَّهُ عِنْدَ يَرْبُو فَلَا النَّاسِ أَمْوَالِ

“Whatever you pay as interest so that it may increase (li yarbu) the wealth of people does not increase (fa la yarbu) in the sight of Allah” [ar-Rum 30:39]., i.e., it does not increase or rise in status before Allah.

History of riba

Riba originated among the people of the Jahiliyyah. If a debt became due, they would say to him (the borrower): Give us one hundred (that is due, now), or increase it to one hundred and fifty (and pay later). Then when the one hundred and fifty became due, they would say: Give us one hundred and fifty (now), or increase it to two hundred (and pay later) -- and so on.

Riba and Its Types (FROM www.blossomfinance.com)

The word *riba* means excess, increase, or addition. From a Shariah point of view, it can be interpreted as: an excess compensation or unjustified return in a lending, borrowing, or sale transaction. The most common example is taking a loan from a conventional bank: the bank gives a loan, and the borrower repays the money at a later date with a percentage increase over the original amount.

But *riba* is not limited to an increase in a loan contract. which is imposed due to deferment of time in payment. The *Quran* does not specify any particular type of *riba*. However, Muslim scholars have explained two types of *riba* based on general texts of the *Quran* and a number of *Ahadith* (sayings) of the Prophet Muhammad ﷺ.

There are two types of *riba*:

- *riba* in loan contract (*Riba al-Nasiyah*)
- *riba* in sale or exchange contract (*Riba al-Fadl*)

***Riba* in loan contract (*riba al-nasiyah*)**

This is the commonly understood type of *riba*. It's an increase in payment from a borrower to a lender over the original loan amount charged by the lender due to delay in time of payment. Note that this type of *riba* only applies to a loan, not a credit sale (more on this later).

It does not matter whether the increase over the loan amount is fixed at the beginning of the contract, or at the end of the contract if the borrower didn't pay (in the case of default). Any pre-determined or pre-agreed increase, or any extra amount over the original loan amount charged by the lender is considered *riba*. This could include, for example, if the borrower offered to pay an increase over the loan amount as a condition for repaying the loan because the increase is pre-agreed as a condition of the loan. This type of *riba* is called *riba al-*

Quran because, the *Quran* has specifically prohibited this form of *riba* as it was commonly practiced in Arab society at that time.

Optional Gift in Repayment Allowed

What if a borrower repays the money, but wants to thank the lender by offering some gift? Is this allowed? Yes!

The key difference here is that an optional gift or increase paid by the borrower must not be pre-agreed and must not be stipulated by the lender. Something coming out of the good will of the borrower to show their gratitude is allowed, and is even recorded in a *hadith*:

Narrated Jabir bin Abdullah: "I went to the Prophet while he was in the Mosque. After the Prophet told me to pray two Rakat, he repayed me the debt he owed me and gave me an extra amount." [Sahih Bukhari]

Commonplace Examples of *Riba al-Quran*

Here's a short list of just a few examples you may have heard of. All of these types of products and contracts include *riba* and are classified as *haram* or not permissible for Islamic finance:

- Credit cards (note: debit cards are OK)
- Home mortgage
- Car/automotive loan
- Personal loan from a conventional bank
- Bank certificate of deposit ("CD")
- Capital market bonds
- US Government Savings Bonds

***Riba* in sale contract (*riba al-fadl*)**

This one is not as obvious as *riba* in a loan. It can happen in a sale or exchange transaction of a commodity. Note that this type of *riba* only applies to commodities; things like: dates, barley, rice, wheat, oil, sugar, cotton, etc...

If two people exchange the same commodity but in unequal amounts, the extra would be *riba*. This type of *Riba* is also called *Riba al-Hadith* in the literature of scholars because, it is not directly mentioned by the *Quran*. The Prophet (ﷺ) has classified it as *riba* in a following *hadith*:

“Gold for gold, silver for silver, wheat for wheat, barley for barley, date for date, salt for salt, must be equal on both sides and hand to hand, whoever pays more or demands more (on either side) indulges in Riba” [Sahih Muslim].

According to this hadith, there are two main criteria that qualify a sale as having *riba*:

- **Delay in time** or deferment of the exchange of commodities
- **Difference in quality** in exchange of similar commodities

To summarize, when two similar commodities are exchanged with each other, the following two rules must be observed strictly. Otherwise, the transaction has *riba*.

Rule of Exchanging Counter Values

- **First: the commodities must be exchanged on spot**, meaning at the same time. If one of the commodities is delayed, then it becomes Riba. For example, if you give your friend 1 kilogram of dates today, and he gives you 1 kilogram of dates tomorrow, then this transaction is not valid. You should exchange the dates together on the same day.
- **Second: the similar commodities must be equal in quantity**. For example, if someone exchanges wheat for wheat or salt for salt, it must be equal, for instance, 1 kg for 1 kg. Note that this only applies if you are exchanging the same commodity; this would not apply to exchange wheat for salt. The rules of *riba* differs when different items are exchanged. The details can be seen in classical books of scholars.

Examples in Practice

If that all seems a bit abstract, let's consider the following examples:

Example 1: Trading Wheat for Wheat

If wheat is exchanged for wheat, then both rules are applied meaning:

- The amount of wheat must be equal in quantity
- The wheat must be exchanged at the same time (on the spot)

Example 2: Trading Wheat for Barley

If wheat is exchanged for barley, then only one rule applies:

- The amounts of wheat and barley can be different; since the commodities are of a different type, the rule of similar quantity does not apply

- The wheat and barley must be exchanged at the same time (on the spot)

Practical Example: Trading Your Old Jewellery

A store offers a service: trade your old gold jewellery for new gold. The store weighs your gold and checks the purity. Your jewellery weighs 12 grams and is of the quality 14k. Based on the weight and purity of your gold, the shopkeeper offers to trade you for 5 grams of 24k gold bullion and they will give you the gold on the spot. Is this transaction *halal* or does it involve *reba*?

Answer: this transaction contains *riba*. Remember: exchanging similar commodities means that both the rule of similar quantity and on the spot transaction apply. The shopkeeper is offering to pay you the gold on the spot - so that is fine. But notice that you are giving 12 grams but only receiving 5 grams. Technically in the shariah, this transaction is not allowed.

To make this transaction *halal* and remove *reba*, a better option would be to accept cash for your old jewellery. Then after you have cash, you can buy whatever you like: any quantity of gold or anything else you like.

How about a credit sales?

A credit sale is when the seller agrees to accept delayed payment for something. For example, if you sell your car to your friend and instead of paying in cash up front, she agrees to pay you every month for 12 months.

When a credit sale is made between the original buyer and seller, it is completely *halal* and there is no *riba*.

What if the seller charges more for credit sale?

Suppose your friend offers to sell you her car for \$5,000 cash today. But you ask her to sell you the car on credit, and you will pay her \$500 each month for 10 months. Sorry, she says, for a credit sale I would charge \$10,000 for the car. Is this OK?

YES! You may be surprised that this transaction is completely permissible in *shariah*. Why? Because there is NO LOAN involved here. She is selling her car - and as the owner of the car, she has the lawful right to charge any price she likes. The credit sale is *halal* whether she charges \$1 or \$1 million dollars.

A credit sale becomes *riba* if there is a third party involved providing a loan with interest. For example, when you buy a car from a dealership and they offer you financing. The financing is a loan contract from a bank - not a credit sale with the dealership - and the loan contract has *riba*. Unfortunately most modern sales for high cost items are structured in this way with a third party providing a loan - and this is *riba*.

What's the difference?

- In a loan, the item of sale is **money**; any pre-agreed increase over the original money is *riba*
- In a credit sale, the item of sale is **something** (a product, service, item, etc...); the price of the credit sale can be any price the buyer and the seller agree upon, even if the price for a credit sale is higher - provided the sale is between them and not a third party providing financing
- The key Qur'an and Hadith texts on *riba*
- The basics of *riba*
- The Quran and Sunnah have mentioned various warnings against *Riba*. God says in the Quran:
- *"Oh, believers, fear Allah, and give up what is still due to you from the interest (usury), if you are true believers."* (2:278)
- فَإِنْ لَمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِنَ اللَّهِ وَرَسُولِهِ وَإِنْ تُبْتُمْ فَلَكُمْ رُءُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ
"If you do not do so, then take notice of war from Allah and His Messenger. But, if you repent, you can have your principal. Neither should you commit injustice nor should you be subjected to it." (2:279)
- Whilst in the hadiths the Prophet (Sallallahu 'alayhi wa sallam) said: *"may cursed the receiver and the payer of interest, the one who records it and the two witnesses to the transaction and said: "They are all alike [in guilt]."* [Muslim]
- The Prophet also said: *"There will certainly come a time for mankind when everyone will take *riba* and if he does not do so, its dust will reach him."* [Ahmad]
- The detailed rulings around *riba*

- Although the Quran does not mention details of what Riba looks like, the Sunnah provides us some teachings.
- One of the main hadith on this subject is where the Prophet (Sallallahu 'alayhi wa sallam) said: *"Gold is to be paid for by gold, silver for silver, wheat by wheat, barley by barley, dates by dates and salt by salt, like for like and equal for equal, payment made hand to hand. He who makes an addition to it or asks for an addition, deals in riba. The receiver and the giver are equally guilty"*. [Nasai]

The six commodities mentioned above include monetary items (gold and silver) and non-monetary fungible items (the remainder).

From these six items, the scholars of Islam differed as to whether the prohibition of riba can be extended to other items or not. The literalist school are of the opinion that the prohibition does not extend to outside of these six commodities.

However, others believe that the hadith is less about the specific items and more about the fact that they are measurable by weight or capacity.

Abu Hurayrah (may Allah be pleased with him) reported that the Prophet (may Allah's peace and blessings be upon him) said: "Avoid the seven destructive sins." They said: "O Messenger of Allah, what are they?" He said: "Associating partners with Allah; magic; killing an innocent person except by legal right; consuming usury; consuming the property of an orphan; retreating from the battlefield; slandering chaste, innocent and believing women."

Sahih/Authentic. - [Al-Bukhari and Muslim]

