

The Quran and its Message

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سَلَامٌ عَلَيْكُمْ

Salamun Alaikum (Peace be upon you)

RIBA

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There is no doubt, tomes of literature that has been written on Riba with a plethora of opinions from contemporary and classical scholars. The terms usury and interest have been used interchangeably to describe Riba in the English language.

[Islamic secondary sources](#) provide graphic details including sordid analogies of what it means to receive Riba. However, these sources are not of concern for the purposes of this article.

The intention of this article is not to add to what is already a vast area of thought or to critique any particular understanding. Rather, the article intends to provide a basic introduction and overview of Riba in my humble view of the Quran's perspective.

I trust that the reader will acquire a jist of the arguments being presented, God willing.

Riba has been mentioned in the following verses of the Quran:

2:275, 2:276, 2:278, 3:130, 4:161 and 30:39

The seriousness of getting a firm grasp of a workable understanding of Riba from the Quran cannot be overstated. The following verses will not only provide the reason why it is crucial to understand the concept, but will also provide a definition of the Quranic 'Riba'.

DEFINITION OF RIBA

002.278

"O you who believe! Fear God, and give up what remains of your usury (**Arabic: baqiya minal-riba**), if ye are indeed believers"

002.279

"And if you do it not, then **be informed of war from God and His Messenger**: And if you repent, you shall have your capital sums (**Arabic: amwalikum**). Deal not unjustly, and you shall not be dealt with unjustly"

From the two verses above, we note that the difference between the Riba and the capital amount (amwalikum) is termed the 'baqiya' (remainder). It is this 'baqiya' that believers are being instructed to give up. Therefore, the excess charged by the lender on the amount lent (the capital amount) is Riba.

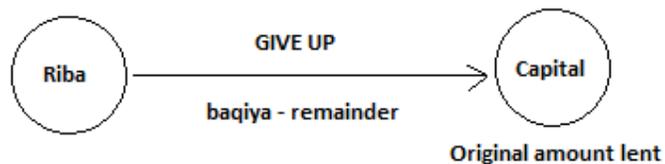


Illustration - Joseph Islam

THE DIFFERENCE BETWEEN TRADE AND USURY

There remains a crucial difference between trade and usury. To assert that they are at times synonymous has been rebuked by the Quran in no uncertain terms.

002.275

"Those who consume usury will not stand except as stand one whom the Satan has confounded by his touch. **That is because they say: "Trade is like usury," but God has permitted trade and forbidden usury.** Those who after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for God (to judge); but those who repeat (the offence) are companions of the Fire: They will abide therein.

To cite an example of trade, if one bought a commodity for x and then sold it for $x+10$ (profit), then that would amount to trade. On the other hand, if one 'lends' 10 bags of sugar and two months later, expects 15 bags of sugar in return, the excess of 5 bags of sugar would amount to 'Riba'.

Similarly, if a loan is granted today attracts a specific rate of interest (beyond currency inflation), that is Riba. It is to be noted, that on the strength of verse 2:279, a creditor is entitled to their capital back. Therefore, if money is the commodity that is lent, one could arguably expect to recoup a fair 'inflationary' element, so as not to be in a state of loss on the principle. In today's economy, currency seldom holds the same value over a period of time.

It can therefore be argued, that any lending which has a predetermined return, or a 'rate of interest', regardless of the circumstances of the borrower, would amount to 'Riba'. However, if both the lender and borrower share in any prospective gains and losses, the nature of the contractual agreement is considerably altered.

The latter point underscores the difference between a contractual trade agreement and that of usury. In trade, both parties are involved in the assessment of the transaction and agree suitable profit and loss terms. In the case of usury, the debtor is at the mercy of the creditor who will not only charge a fixed return but also usually impose a financial penalty if a payment is not met.

INTEREST AND RENT ARE DIFFERENT

Although at first glance, both interest and rent may show similarities, they are in fact, quite different.

Rent is better understood as a payment for a particular service or the use of an asset. This payment is made by the tenant until the asset or service is being used. The ownership of the service or asset remains with the original provider and any payments are for the purchase of the 'service' that the asset provides.

In contrast, 'riba' is a pre-determined return or a rate of interest on lending. Whereas in lending, the debtor is expected to replace the borrowing with a new one and return it to the lender, in a rental contract, the tenant is expected only to return the existing asset to its owner. In this way, the tenant has only paid for the service that is provided by the owner's asset.

As an example, a bag of sugar lent will be consumed by the borrower. This bag of sugar would then need to be replaced with additional sugar and returned to the creditor. Similarly, with money lent, the amount would be consumed by the borrower. Then the amount would need to be replaced with additional payment and returned back to the creditor. In a rental agreement, the asset never gets 'consumed'. It is made use of until a fixed period providing a service for the tenant. After the rental agreement is over, the asset is returned to the rightful owner.

In much the same way, contractual employees provide a service to their employers. The employers 'rent' these services for a payment from their contractual employees for an agreed duration.

There is a subtle, yet significant different.

THE DEBTOR DOES NOT HAVE TO BE POOR OR OF CONSTRAINED CIRCUMSTANCES

002.280

"And if (**Arabic: Fa-in**) the debtor is in a difficulty, grant him time till it is easy for him to repay. But if you remit it by way of charity, that is best for you if you only knew"

From the above usage of the Arabic 'Fa-in' (And if), it is clear that the debtor will not always be in difficulty. Therefore, the above verse merely addresses a situation in which the debtor 'may' be in difficulty and what actions to take.

To always assume that a debtor will borrow because of constrained circumstances is not supportable by the above verse. It is quite usual to see highly affluent entrepreneurs heavily steeped in debt.

EXORBITANT INTEREST

003.130

"O ye who believe! Devour not usury, doubled and multiplied and fear God so that you may prosper"

Some commentators have attempted to make use of the above verse to define usury as 'excessive interest'. Unlike verses 2:278 and 279, where a suitable definition was extractable, the above verse does not provide a definition. Rather, it attempts to capture a condition of a people who not only consumed Riba, but consumed it in excessive amounts.

GIVING USURY

There is no mention or prohibition with regards to giving interest. The prohibition is firmly with **receiving** interest. The responsibility solely lies with the creditor to make sure his terms are within the Quranic directive and do not involve Riba.

However, this does not mean that there are no responsibilities for the borrower. It is tacitly recognised that a debtor may be constrained by circumstances and be unable to acquire the best deal for a number of reasons and hence be forced to give interest. In such cases, the debtors may simply be at the mercy of the creditors and their own circumstances. Hence the responsibility lies

primarily with the creditor. However, this should not mean that one should not avoid contracting debts which are deemed unnecessary. All debts which involve Riba should be curtailed to the best of one's ability and circumstances.

For example, a loan on a brand new car is rather different from acquiring a loan to purchase a primary property to provide necessary shelter for one's family. This with the sole intention to pay the funds back as soon as possible where the cost of borrowing is far less than the cost of renting.

Much in the same way, purchasing properties for business gains (and not for personal use) by giving high interests (riba) with a view to make quick lucrative gains seems to be in violation of the spirit of the Quranic narratives.

Debtors must always ensure that they take every opportunity to scrutinise what is on offer and the nature of the contract that they enter in light of the Quranic narratives. This is with a view to avoid 'riba' at all costs.

For example, there are mortgages which allow one to share ownership, allow one to pay back early, charge only a nominal amount above government base rates etc. One should be prepared to analyse the best deals which offer them least exposure to riba, if it can be helped.

SAVINGS ACCOUNT

This is likely to be the most common case where one is likely to be operating in the capacity of a 'creditor'. We noted earlier that lending does not always have to be to a party that is financially weak. In terms of the Quranic narratives, lending remains independent of the circumstances of the debtor. The responsibility remains primarily with the creditor to ensure that they are not in receipt of 'riba'.

Albeit in a banking relationship, a depositor usually passes his savings over for safe keeping, the bank makes use of the funds for monetary gain. With this gain, the bank (who operates in the capacity of a debtor) provides a fixed rate of return for this usage. This arguably falls in the definition of 'Riba'. If the return for the depositor (creditor) was 'profit' based with a fluctuating rate of return, then the nature of the relationship would be different and this could be seen as an investment where both the parties agree on a profit and loss relationship, assessing the risks.

However, the creditor (who deposits their savings) is entitled to receive their **principle** amount back. As already mentioned, in today's economy, currency seldom holds the same value over a period of time. Therefore, it can be argued that any interest payment that covers the rate of inflation is permissible as this allows for the creditors principle amount to be returned.

FINAL THOUGHTS

Receiving riba in Quranic terms is a very grave matter. An understanding of 'riba' should be best grasped from the Quranic narratives and must be avoided at all costs. All transactions must be mindful of curtailing any form of riba.

002:276

"God does not bless usury, and He causes charitable (Arabic: sadaqati) deeds to prosper, and God does not love any ungrateful sinner"

030.039

"And that which you give for usury to increase through the wealth of (other) people, will have no increase with God: but that which you give of zakah, seeking the Countenance of God: it is these who will get a recompense multiplied"

Related Articles:

- (1) [The Concept of Sadaqah from the Quran](#)
- (2) [The Concept of Zakah from the Quran](#)

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