

117680 - The bank is offering to let him delay payment of a loan in return for some fees

the question

I borrowed an amount from a bank. The bank offers to delay the installments up to three times a year in return for extra fees to be added. Is it permissible to delay paying installments?.

Detailed answer

A loan is a contract that is based on kindness is a kind of charitable action, and it is not permissible to stipulate that interest be paid on it, either at the beginning of the contract or when there is a delay in payment. It was a common feature of the riba of the Jaahiliyyah that if the borrower was unable to pay off, it would be said to him, "Add more and pay later" i.e., add some more money to the loan and we will give you longer to pay it back.

Ibn al-Jawzi (may Allaah have mercy on him) said: The scholars of tafseer said concerning the words of Allaah, "O you who believe! Consume not Ribaa doubled and multiplied, but fear Allaah that you may be successful" [Aal 'Imraan 3:130]: This verse was revealed concerning the riba of the Jaahiliyyah. Sa'eed ibn Jubayr said: If one man owed another man money, when the time to pay came he would say, "Give me more time and I will pay you more money. That is what is meant by doubled and multiplied. End quote from Zaad al-Maseer (1/457).

Shaykh Muhammad al-Ameen al-Shanqeeti (may Allaah have mercy on him) said: It should be noted that the riba which all Muslims are unanimously agreed is not allowed, and no one

differed concerning that is the riba of the Jaahiliyyah, which is where the lender would give the borrower more time to pay in return for the latter increasing the amount to be repaid. End quote.

The scholars are unanimously agreed that every loan in which it is stipulated that more be paid is riba.

Ibn Qudaamah (may Allaah have mercy on him) said every loan in which it is stipulated that more be paid is haraam, with no difference of scholarly opinion. Ibn al-Mundhir said: They are unanimously agreed that if the lender stipulated that the borrower must pay something extra or give him a gift, and he gives the loan on that basis, taking the extra amount is riba.

It was narrated from Ubayy ibn Ka'b, Ibn 'Abbaas and Ibn Mas'ood that they forbade loans that bring benefits. End quote from al-Mughni (4/211).

Based on that, if the banks allowing you extra time to pay off the loan is in return for interest or fees, then it is the essence of riba, unless the fee is very low, such as the cost of paperwork and the like, and the bank will not benefit from that. These type of fees should not vary according to the amount of money involved, so whether the debt is one hundred thousand or ten thousand, the fee should be the same, if we assume that this procedure requires fees.

But if the fee is very high, or the fee varies according to the amount of money owed, then this is the essence of the riba of Jaahiliyyah.

Dr. 'Abd-Allaah ibn Muhammad al-Tayyaar was asked: I took from the bank what is known as

tawarruq, and the borrower may delay one of the payments until the end of the period, but the bank will charge a fee between 200 and 250 riyals in return for the delay. Is this amount considered to be riba or is it permissible?

He replied: If this amount is in return for an unforeseen delay in the event of non-payment or being unable to make a payment, then this is the riba of the Jaahiliyyah which is haraam according to scholarly consensus. When the time for paying the debt came they would say: Either pay it off or increase the amount. The shar'i option in this case is to give the one who is hard up extra time to pay, as Allaah says (interpretation of the meaning): "And if the debtor is in a hard time (has no money), then grant him time till it is easy for him to repay" [al-Baqarah 2:280]. But increasing the amount for him is not permissible under any circumstances. End quote from Islam Today website.

We ask Allaah to protect us
and you from the evils, sin and danger of riba.

And Allaah knows best.