

## 20720 - Islamic financial system

---

### the question

I would like to know, although the Islamic finance way is known to have no element of riba. But after I studied the way how the Islamic finance has been used, I see that it still has the element of riba. So can you explain if there is still any element of riba in the Islamic finance system?

### Detailed answer

Riba is emphatically forbidden in Islam. Allah has condemned the one who does that and has declared war on him, and spoken of his bad end on the Day of Resurrection. Allah says (interpretation of the meaning):

“Those who eat Ribaa 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 Ribaa,’ whereas Allah has permitted trading and forbidden Ribaa. So whosoever receives an admonition from his Lord and stops eating Ribaa, shall not be punished for the past; his case is for Allah (to judge); but whoever returns (to Ribaa), such are the dwellers of the Fire — they will abide therein.

Allah will destroy Ribaa and will give increase for Sadaqaat (deeds of charity, alms). And Allah likes not the disbelievers, sinners” [al-Baqarah 2:275, 276]

“O you who believe! Fear Allah and give up what remains (due to you) from Ribaa (from now onward) if you are (really) believers.

And if you do not do it, then take a notice of war from Allah 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]

The Prophet (peace and blessings of Allah be upon him) cursed the one who consumes riba, 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." Narrated by Muslim, 1598, from the hadeeth of Jaabir (may Allah be pleased with him).

And he (peace and blessings of Allah be upon him) said: "A dirham of riba consumed knowingly by a man is worse before Allah than committing zina thirty-six times." Narrated by Ahmad and al-Tabaraani, classed as saheeh by al-Albani in Saheeh al-Jaami', no. 3375.

And there are other texts which point to the enormity and abhorrent nature of this crime.

The Islamic financial system does not approve of any transaction that includes riba, rather the sharee'ah forbids certain transactions so as to prevent the means that lead to riba.

Secondly:

The banks that exist nowadays are all riba based banks, with a few rare exceptions. Just because a bank is located in a Muslim country does not mean that it is an Islamic bank. Most of these banks are connected to Jewish and Crusader banks overseas. It is most regrettable that in the Muslim lands which are home to more than a billion Muslims there is no Islamic bank that is free from riba, apart from a few institutions.

So the decision makers among the Muslims have to pay due attention to this matter and establish an independent Islamic banking system. There are scholars and people who are able to work in this field, and there is a great deal of capital, praise be to Allah.

Thirdly:

The true Islamic financial system is a system that is free of riba, because it is a system that is derived from the Book of Allah and the Sunnah of His Messenger (peace and blessings of Allah be upon him). Your saying in your question that you have noticed riba in financial transactions in the Islamic banks needs further explanation. Perhaps you think that some of these transactions involve riba when they do not.

We ask Allah to set the Muslims' affairs straight and to help those in authority to do what is right and proper. Praise be to Allah, the Lord of the Worlds.

And Allah knows best.