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SHMA News

Riba - Its Deception and Its Detection

By A. Hakim

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As you may have guessed, this article is intended to summarise the basics of the talk at Camberley Masjid on 28-Feb-08.

Different sorts of riba exist. It can be classified according to its Position or according to its Nature. The Positions are riba of Trade and riba of Borrowing. The Nature of riba can be Delay or Increase.

Let us first look at riba of Trade. One of the defining hadiths for riba is recorded by Muslim: "Gold is to be paid for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, and salt for salt, same quantity for same quantity and equal for equal, payment being made on the same spot. If these classes differ, sell then as you wish if payment is made on the spot." (Muslim)

Riba of Trade only applies to certain commodities, which are therefore known as 'ribawi' items. The Prophet (s.a.w.) defined six ribawi items in the hadith above. Ribawi items are divided into two Types: Money and Staple Foods. There are several Species within the two Types. Species of Money

include Gold, Silver, Pounds, Euros and Dollars. Species of Staple food include Wheat, Barley, Salt, Dates and Rice. For foods to be ribawi items, they must be in their raw form and traded by weight. Manufactured goods (eg bread, chocolate, chicken tikka kebab) are not ribawi items. Jewellery still counts as money as it is a store of value, and is liable to zakah.

As stated in the hadith above, when we exchange the same Type and same Species for each other (eg. 24k Gold for 18k Gold, or Khaibar Dates for Medina Dates) we must exchange equal amounts at the same time. Notice the two criteria: equal amounts (avoiding riba of Increase) at the same time (avoiding riba of Delay).

There two other scenarios to consider when trading ribawi items. If we trade the same Type but different Species (eg. British Pounds for Gold; or Rice for Dates) then clearly we do not need to exchange the same quantities, but the exchange must be immediate. So we cannot

give Pounds now for Gold later. I find that the best way to avoid riba here is to use state money (paper and coins with the queen's head on it) when buying gold or foreign currency. A transaction is not complete in Islam if the buyer and seller have not yet parted. So if you pass some Pounds over the counter and wait for a minute while they count out your Euros, this is not a delay, the transaction is ongoing until you leave the counter.

The other Scenario is that we trade ribawi items of different types (eg. British Pounds for rice). Here neither condition applies. The quantities need not be the same; neither must the exchange be immediate. So it is fine to take the rice now and pay by cheque (which means the shopkeeper gets the money in a few days). A separate but important point here is that we are not allowed to exchange a debt for a debt. i.e. We cannot make a contract of rice later for money later. One of the countervalues in a transaction must change hands now. Possession of the rice or

the money (or both) must change now for the contract to be valid.

Prohibiting riba in trade prevents hoarding and the negative social consequences that can result. If we were allowed to trade 1kg of good rice for 2kg of inferior rice, then the people growing the good rice could soon come to own the vast majority of all rice. And then, having the monopoly on the rice supply, they could charge any price they wished for this basic commodity. The prohibition of riba prevents this outcome. The requirement on us to exchange immediately when we exchange currencies discourages speculation and prevents the macroeconomic consequences that result. Money is to be used for trade. Changing currency is sometimes necessary, but is only a means to an end. Allowing currency exchange on a deferred basis soon leads to widespread speculation, with no social benefit and a great possibility of harm. Prohibition of riba serves to encourage trade in useful goods and services.

The second Position is riba of Borrowing. There is a simple rule to know here: Any loan that leads to a benefit for the lender is riba. Halal loans are acts of kindness, for which we must not expect any reward in this world. Abu Hanifa (r.a.) would not stand in the shade of a tree that belonged to someone to whom he had lent money, for fear that the shade might be an unlawful benefit arising from the loan.

We should also be aware of three types of riba that were prevalent in the time of Jahiliyya:

1) With the condition of

increase from the outset (just like modern interest);

2) When the repayment becomes due the time is extended and the amount increased (just like late payment charges on utility bills);

3) Interest was paid during the term of the loan and the principal paid at the end (just like interest-only mortgages).

The prohibition of riba in borrowing/lending produces certain social benefits.

Lenders are typically richer than borrowers. Requiring borrowers to pay increased amounts to lenders exaggerates imbalances and becomes oppression. A second benefit relates to the use of money: if we are permitted to lend at riba, we are discouraged from trade, as riba can give us a secure interest income. Instead, we are pushed to invest in profitable business activities, which benefit society. Thirdly, when we do give halal loans, these acts of kindness foster togetherness among members of a community. So the prohibition of riba in lending serves to prevent oppression, stimulate trade and encourage kindness.

It is important to be aware that Hila (diversion) often takes place. This can involve combining halal activities in such a way as to produce a haraam result. For example, Gifts, Promises and Loans are all permissible in Islam. But if I say "Give me a loan of £100 and I promise to give you a gift of £5 on repayment of the loan", then this combination of contracts is clearly riba in borrowing. It is simply a £100 loan at 5% interest. So when looking at a complex transaction,

we must ensure that we understand the overall intention and result of the contract.

"O you who believe, heed Allah and give up what remains of your claim to riba if you are [true] believers. If you do not do so, then take notice of war from Allah and His messenger! If you repent, you may retain your principal. Do not wrong [others] and you will not be wronged." (Al-Qur'an 2:278-279)

Writers Profile

*Name: Brother Ibrahim
Farnborough*

Are you ready to face Allah?

The Prophet Mohammed, Sallallahu alaihe wasallam, said

“The son of Adam will not pass away from Allah until he is asked about five things: how he lived his life, and how he utilized his youth, with what means did he earn his wealth, how did he spend his wealth, and what did he do with his knowledge.”

{Good hadith reported by Imam At-Tirmidhi}

So are you ready to answer those questions? If you died right now, are you ready to face Allah (swt) and feel confident that you can give the answers that will please Allah (swt) and will cause Him, and only Him, to gain you Jannah?

We need to prepare ourselves for this day now.

Not tomorrow, not next week, not after the footie finishes on the telly, but now!

Firstly start by saying “La illaha illallah”, now pray for Allah’s (swt) forgiveness, for a good heart, and for Allah (swt) to make you a strong Muslim.

Now think about your life.....how practicing are

you? I mean really? Do you think that if you were living in the times of the Prophet Mohammed, Sallallahu alaihe wasallam, you would be worthy of being called one of His companions? How can you better yourself to attain that? Wouldn’t it be wonderful to shake hands with the Prophet Mohammed, Sallallahu alaihe wasallam, see the face of Allah (swt), and live in Paradise?

Yes it would, so do something about it now.

Learn something new right now. Pick up the Quran and learn an Ayah.

Do something to show Allah (swt) that you are worthy of being called a Muslim and are striving for perfection.

One last thing that someone once said to me...”Good Deeds last forever”. The more good deeds we do for the sake of Allah (swt) the more our heart will warm to Islam, our blood will flow with the warmth of Allah’s (swt) love, and the more chance we have of feeling confident when answering those above five questions.

Editing Board
Review Board

Email:

newsletter@shma.org.uk

For anyone who wishes to contribute to the community newsletter please send your articles to the above email address. N.B the newsletter is open to all community members.

Please send any feedback/comments to newsletter@shma.org.uk

Community Activities and Events

Children's Madressa Classes – At the Islamic Centre 10 a.m. – 12:00 Noon (Boys and Girls) – Imaam Abdul Malik, Saiful Islam, Fareed Haibatan and Sisters ; Iqbal_ak@hotmail.com or haibatanbiblio@yahoo.co.uk

Children's Curriculum Classes – At the Islamic Centre 10:00 a.m. – 1:00 Noon (Year 5 to GCSEs

and A - Levels) – Abdul Hakim Wattley
gwattley@yahoo.com

Sister's Gatherings - Wednesday Tafseer Classes – By Sister Momina (Contact: droulabi@hotmail.com)

or contact zoyasafwan@hotmail.com

Brother's Gathering - Wednesday Tafseer Classes

– Br. Muaffaq Oulabi
Contact: droulabi@hotmail.com)

Arabic Language Classes – Sundays 11:30 a.m. - 1:00 p.m. Farid Haibatan (Contact: haibatanbiblio@yahoo.co.uk)

Sports Activities: Friday Evening – **Football** for children, young people and of course the 30+ year olds. (footie@lists.shma.org.uk)

General information

Al Kharafi Islamic Centre elections – On 24th February the BSHBWA held it's elections, members of the Bengali community voted for a new committee to run the Islamic centre for the next 3 years. The winning panel's chairman is Mr Abdul Mojid, he was also a member of the previous committee, Mr Luthful Karim did not participate in the elections, hence no longer the chairman of the Islamic Centre. We should all welcome the new committee and wish them success in running the Islamic Centre inshallah.

Births, Deaths & Marriages

Inna lillahi wa inna ilahi raji'un"Verily we belong to Allah, and to Allah we return."

We pray to Allah (swt) for Jannatul Firdaws for the ones who have recently passed away.

- Br. Haji Taj's wife passed away and she was buried in Pakistan
- Br. Mohammed Soliman 's Mother passed away in Egypt
- Br. Mohammed Iqbal 's mother passed away in India
- Br. Hasan Assalaai Passed away in March and was buried in Ship lane, Farnborough

Organisers and Participants are reminded that in all our activities and gatherings Islamic etiquettes, morals, and manners need to be demonstrated through modesty in dress code, language, mixing of people, and general conduct.

SHMA Disclaimer: SHMA or its Committee Members or its organisers will not be liable for any injury/loss to any person or persons caused due to any unfortunate incident or eventuality. Your participation in any of our gatherings/activities is at your own risks.