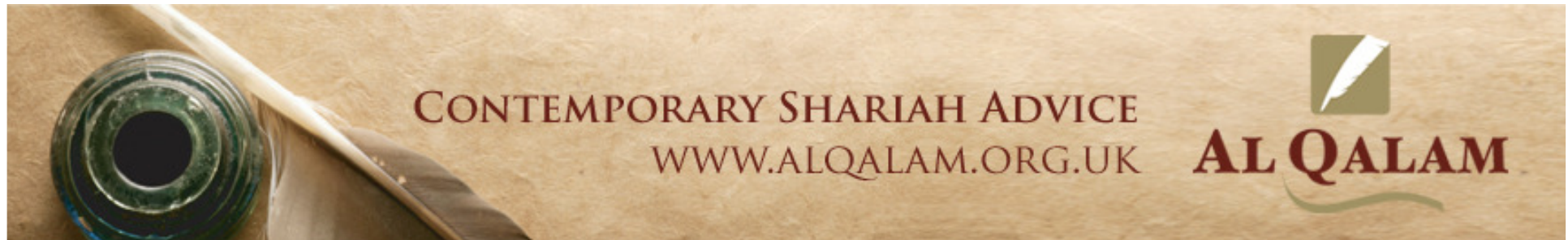


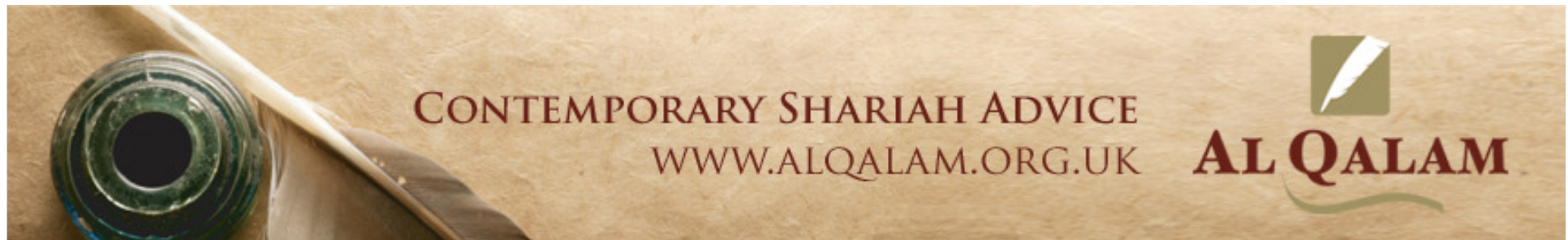
An Islamic Perspective on the 'CREDIT CRUNCH'

Part 1



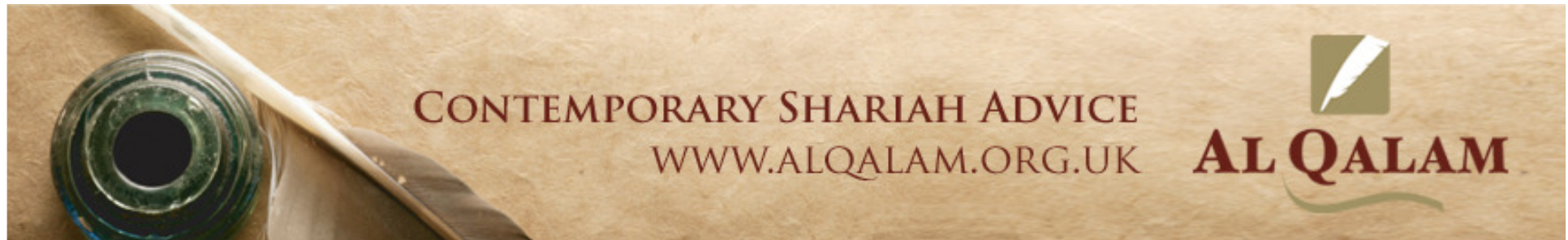
'CREDIT CRUNCH'

- Lines queuing for money outside Northern Rock
- Properties halving in value and less
- Construction in countries coming to stand still
- Mass unemployment and redundancies
- UK borrowing greater than last 300 years put together
- Banks running out of money
- Major UK Banks nationalized RBS, Lloyds TSB.
- Banks reporting capital shortfalls Barclays & HSBC.
- Names such as Lehman Brothers collapse whilst Goldman Sachs just survives, New York sneezes.....,



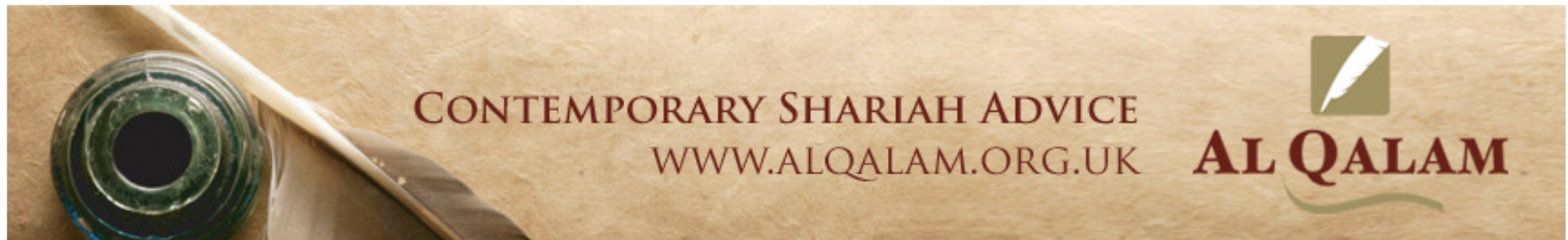
How did the Credit Crunch happen ?

- Bad US debt
- Bankers' greed
- Credit seizing up because banks don't lend
- Multiplier effect
- Something else?



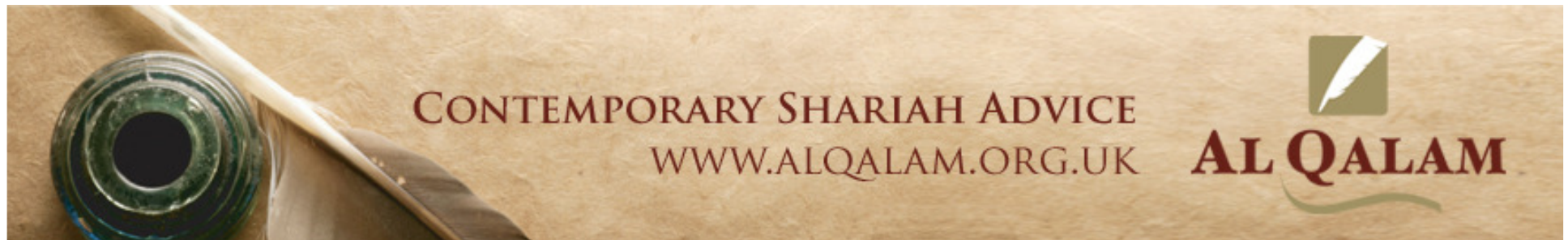
Brief History of Banks

- 17th Century Goldsmiths, storing Gold – ‘Bankers’
- Receipts issued for Gold
- Public having confidence started trading in receipts
- Public not redeeming Gold from Goldsmith
- Bankers discovered they could pump masses of artificial receipts into the economy and earn ‘interest’
- Big Debate in 1800’s – Fractional Reserve
- Entire system based upon public confidence



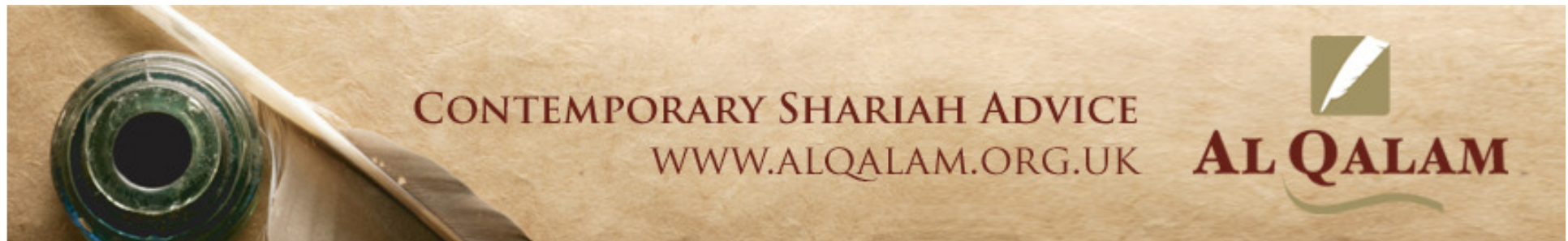
'The modern Banking system manufactures money out of nothing. The process is perhaps the most outstanding piece of sleight of hand that was ever invented...If you want to be slaves of the Bankers, and pay the costs of your own slavery, then let the Banks create money'

***Lord Josiah Stamp
Former Director, Bank of England***



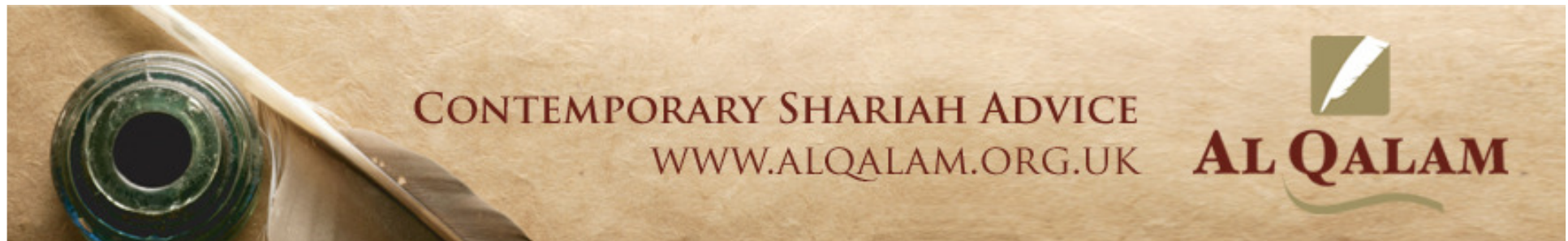
‘In order to ensure that money performs its true function of operating as a means of exchange and distribution, it is desirable that it should cease to be traded as a commodity’.

Recommendation by Southampton University Committee established to investigate root causes on 1930’s economic depression



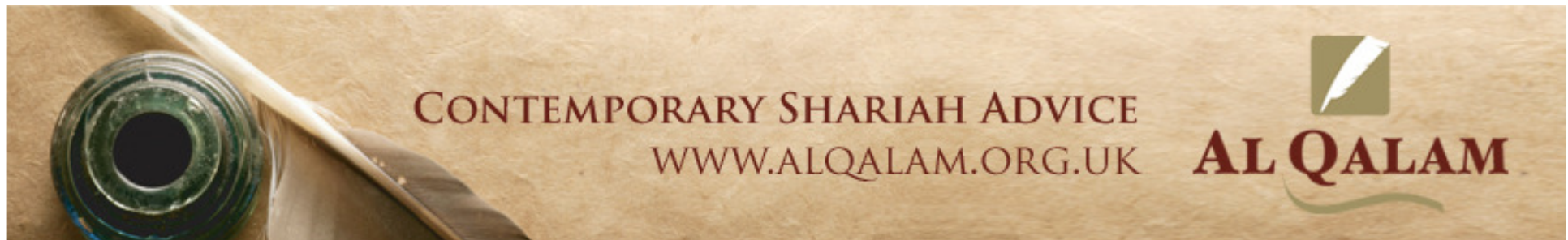
‘The creation of Dirhams and dinars are a blessing from Allah (SWT) as they have no intrinsic usufruct or utility, but everybody needs them as every human being needs commodities for eating, wearing etc. Often man does not have what he needs, or has what he does not need.....therefore transactions of exchange are inevitable. But there must be a basis of measure on which price can be determined as the exchanged commodities are neither of the same type nor the same size.....Therefore all these commodities need a mediator to judge their exact value, hence Allah (SWT) has created dirhams and dinars’

‘Ihya Al-Uloom Ul-Deen’, Imam Ghazzali

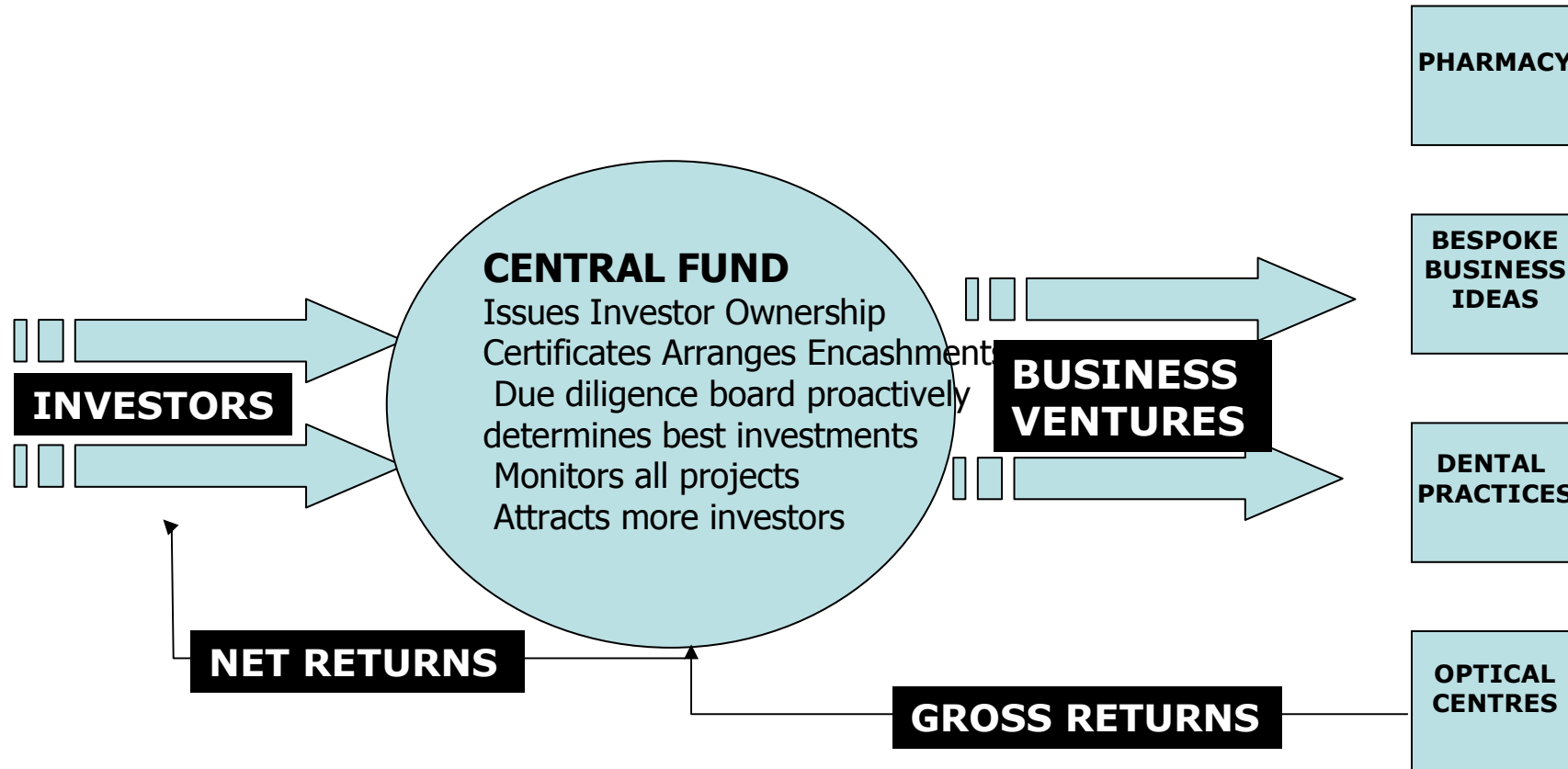


The Islamic Alternative

- Money has no Intrinsic value, only a medium of exchange
- Investments must be **asset-backed**
- Therefore banks can only print money directly linked to assets held
- Finance can only be provided on **equity basis**
- Therefore Banks can only provide money by taking an equity share in business
- Money creation is forbidden
- Islamic Finance calls this 'Musharaka'
- Musharka is a viable alternative to Capitalism and has the potential to ensure wealth is shared more equally amongst society
- Winners therefore are society generally, and losers are the banks and major industrialists

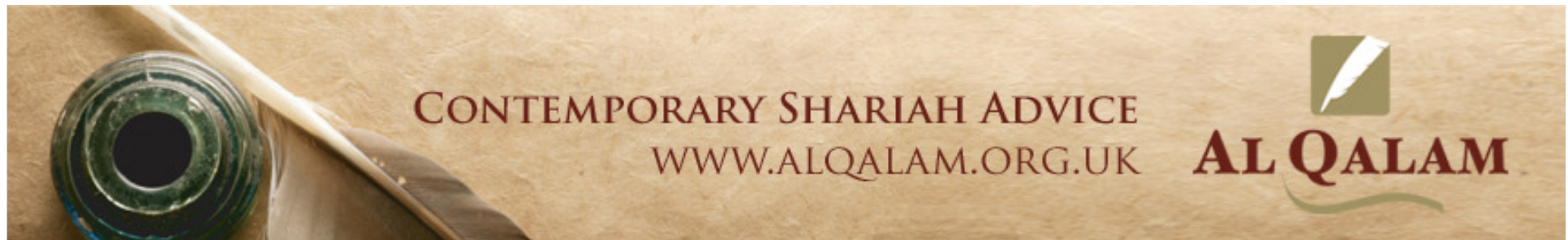


The Musharaka Fund



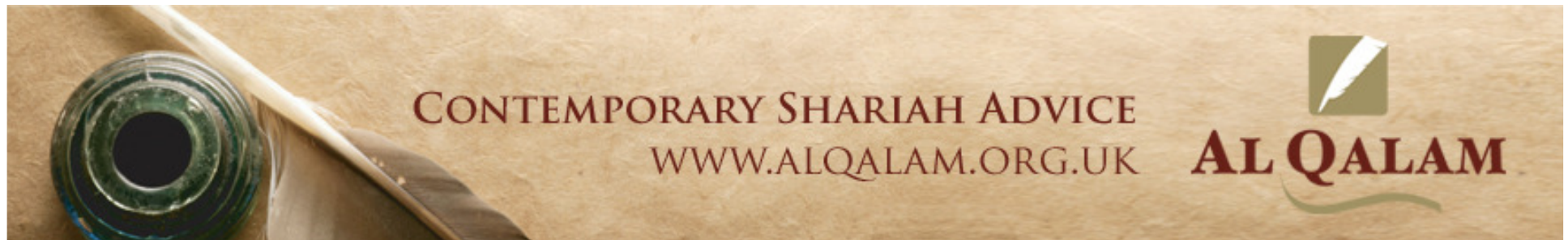
What Can I Do ?

- Clearly understand that Riba is a major sin and avoid it like alcohol. Remind others to do the same
- Always prefer finance which is equity-based as this is similar to 'musharaka'
- Read and implement 1st Ethical Charitable Trust's guide 'Make me Shariah-compliant'



***'So lose not heart, Nor fall in despair,
For you are bound to rise, If you are true
in faith'***

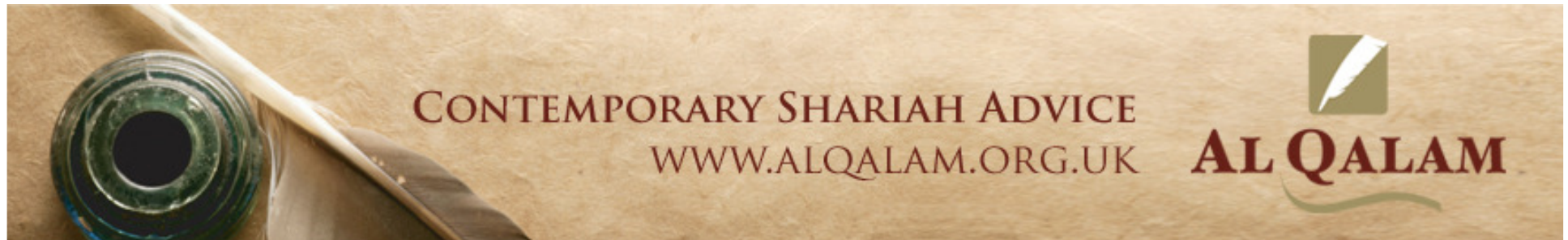
Al-Quran 3:139



RIBA

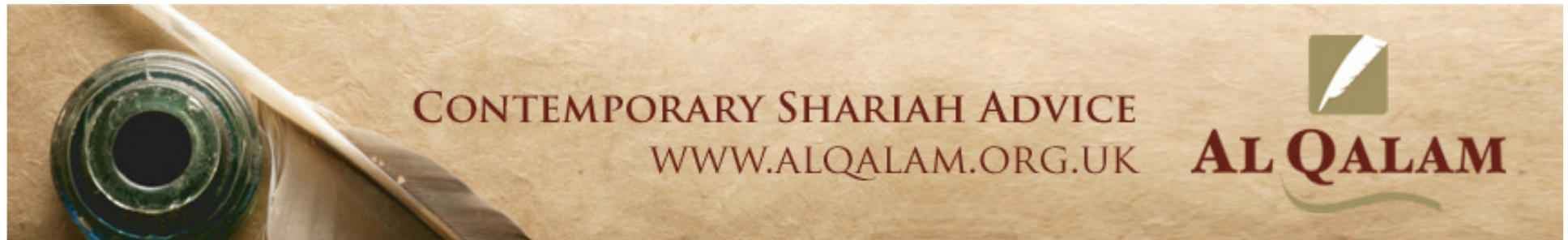
(Interest)

Part 2



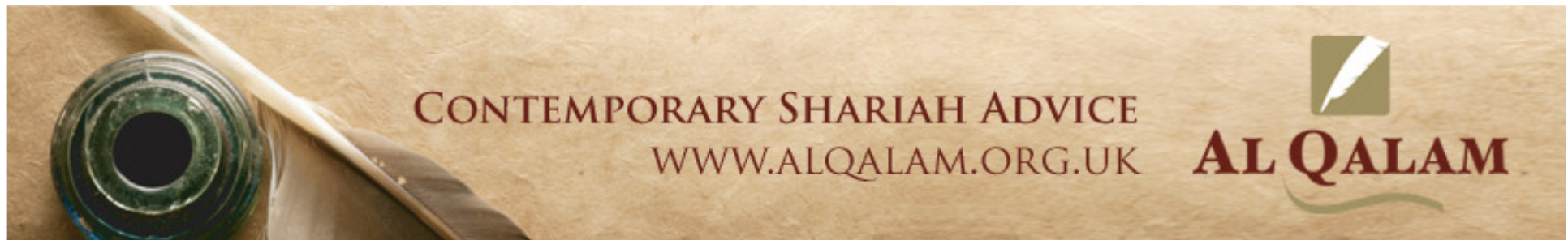
PRESENTATION OVERVIEW

- Riba in Qur'an & Sunnah
- Definition of Riba
- Misconceptions about Riba



Historical Analysis of the Prohibition of Riba

- 1st verse: 'And what ever usury you give so that it may increase in the wealth will not increase with Allah' C:30 V:39
- 2nd verse: 'And because of them charging interest while they were prohibited from it' C:4 V: 161
- 3rd Verse: 'O those who believe do not eat up usury doubled and re-doubled'. C: 3 V:130
- 4th Verse: C:2 Verses 275 – 281 (Next Slide)

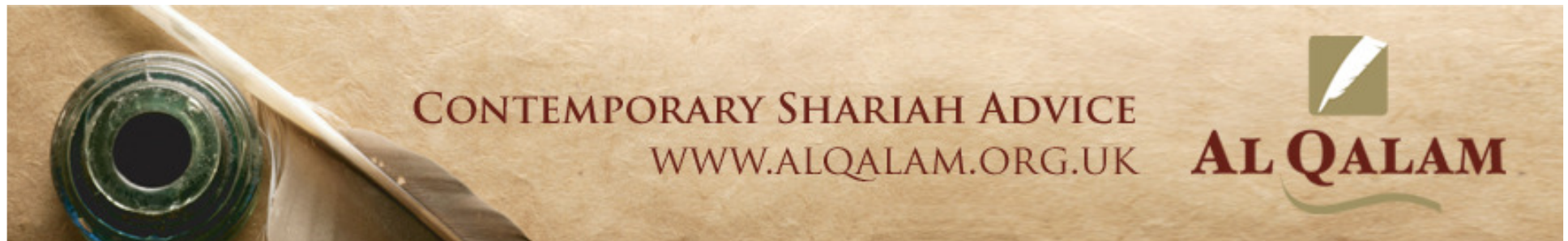


How does Islam view Interest ?

Prohibition of Riba in the Qur'an

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي
يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ
مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ
مِّن رَّبِّهِ فَانْتَهَى فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ
فَأُولَٰئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ ﴿٢٧٥﴾

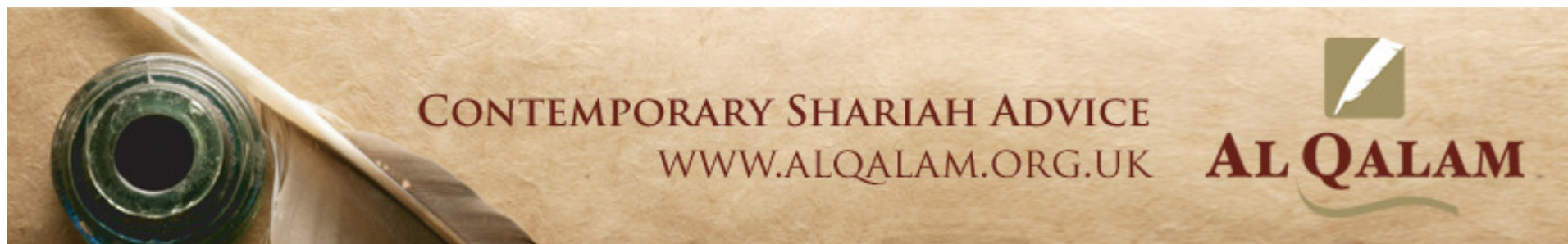
Those who devour Riba shall rise up before Allah like men whom Shaitan has demented by his touch; for they claim that trading is like Riba. **But Allah has permitted trading and forbidden Riba.** He that receives an admonition from his Rabb and mends his ways may keep what he has already earned; his faith is in the hand of Allah. But he that pays no heed shall be among the people of fire and shall remain in it forever."



Prohibition of Riba in the Qur'an

يَا أَيُّهَا الَّذِينَ ءَامَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنْتُمْ
مُؤْمِنِينَ ﴿٢٧٨﴾ فَإِن لَّمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ ۗ وَإِن
تُبْتِغُوا فَلَئِكُمْ رُءُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ ﴿٢٧٩﴾

“O you who believe, Fear Allah and give up what remains of your demand for Interest, if you are indeed a believer. If you do not, then you are warned of the declaration of war from Allah and His Messenger; But if you turn back you shall have your principal: Deal not unjustly and you shall not be dealt with unjustly.”



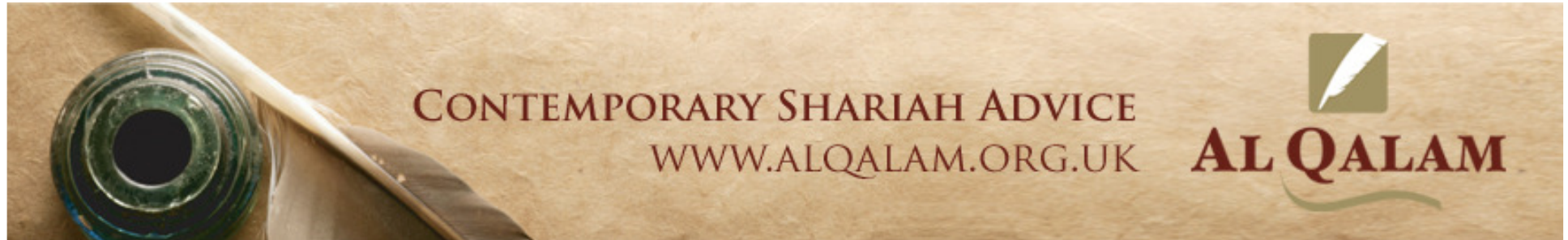
Prohibition of Riba in Hadith

عن أبي هريرة عن النبي قال: اجتنبوا السبع الموبقات. قالوا: يا رسول الله! وما هن؟ قال: الشرك بالله والسحر وقتل النفس التي حرم الله إلا بالحق وأكل الربا وأكل مال اليتيم والتولى يوم الزحف وقذف المحصنات الغافلات المؤمنات. رواه البخاري ومسلم وأبو داود والنسائي.

Abu Hurayrah reports Rasulullah SAW saying:

“Refrain from seven deadly things: The companions asked him: What are these? He said: To associate partners with Allah, sorcery; to kill a soul without valid reason in the eyes of Allah; to devour interest; to devour the property of the orphan; to flee from the battlefield; and to falsely implicate chaste, innocent, believing women of vulgarity.”

[Bukhari, Muslim, Abu Dawud, Nasai]



Prohibition of Riba in Hadith

عن جابر بن عبد الله قال: لعن رسول الله
آكل الربا و موكله و كاتبه و شاهديه و قال هم سواء. رواه مسلم
والترمذى و أحمد.

Jabir b. Abdullah reports that:

Rasulullah SAW cursed the receiver of interest and the payer thereof, the one who records it and the two witnesses thereof. He said: "They are all alike [in guilt]."

[Muslim, Tirmidhi, Ahmad]



Prohibition of Riba in Hadith

: حدثنا أبو بكر بن إسحاق عن عبد الله
: عن النبي - صلى الله عليه وسلم - قال
(الربا ثلاثة وسبعون بابا، أيسرها مثل أن ينكح الرجل أمه)

In another hadith narrated by Abu Huraira ra the words are: سبعون جزءاً
الربا ايسرها

'Rasulullah SAW said; Riba has 73 doors or 70 grades, least serious is equivalent to committing adultery with his own mother'.

(ibn Majah)



Prohibition of Riba in Hadith

Abdullah Ibn Hanzala reports Rasulullah SAW saying:

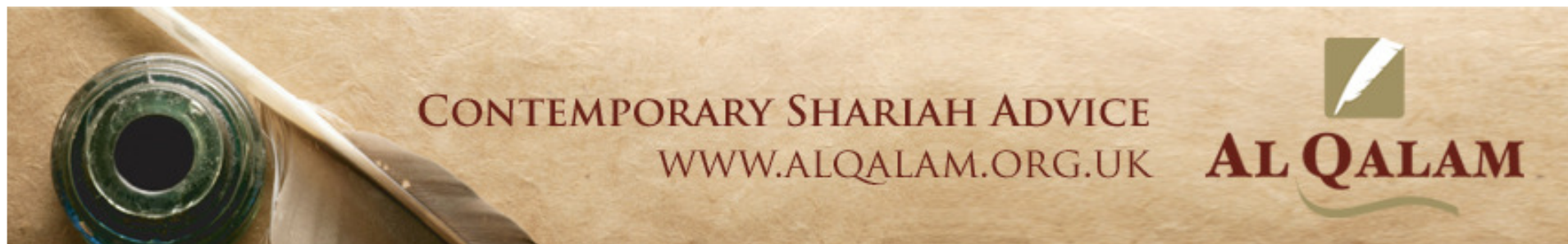
One Dirham consumed by a person knowing that it is Riba is more severe in sin than committing Zina 36 times!

(By Ahmed/Tabrani/ & in Bukhari)

Abu Huraira reports Rasulullah SAW saying:

In the night of ascension (Meraj) as I reached the 7th heaven and looked up, I saw before me lightening & thunder. I then went pass a group of people whom I saw had stomachs as big as houses, filled with snakes which could be seen from the outside of the stomach. I asked Jibreel. Who are these people? He replied; These are the consumers of Riba'.

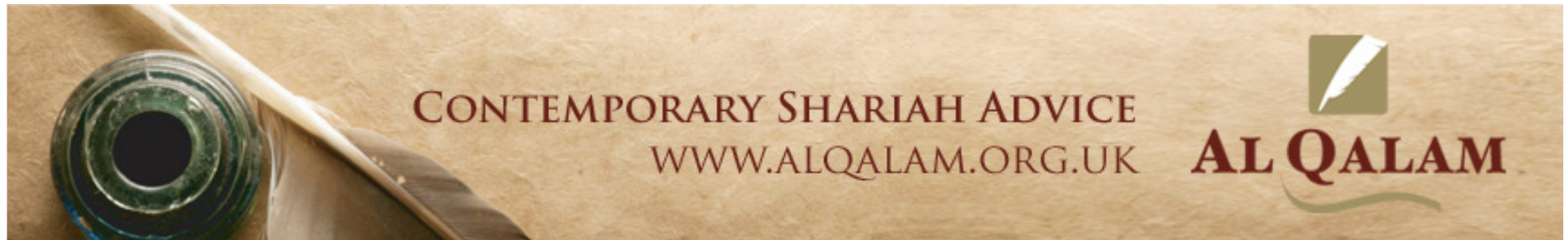
(By Ibn Majah/ & Ahmed)



Definition of Interest

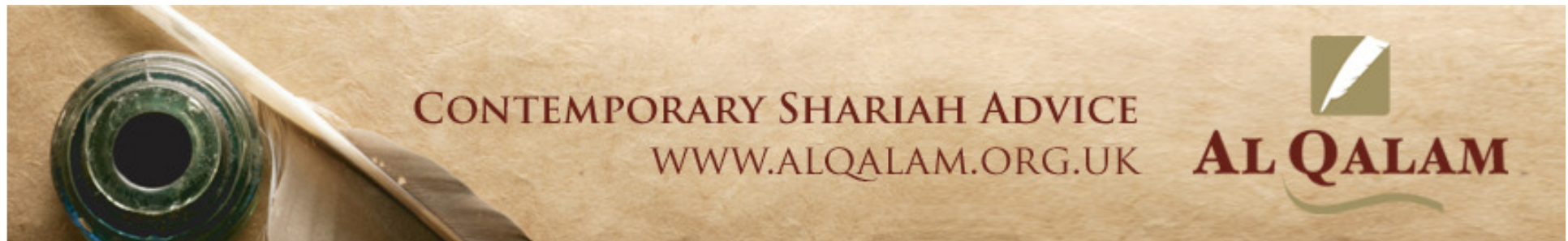
'Any sum repaid or received above the
Principal'

Definition derived from Surah Baqarah (2:275)



Misconceptions about Riba

1. The verses on Riba were revealed in the final days of the Prophet Mohammed (SAW)'s life and he therefore did not have time to explain them properly.
2. Interest only becomes Riba when the poor are exploited.
3. Interest is only Riba when the amount loaned is 'doubled and re-doubled'
4. Interest is only Riba when loans are given for consumption needs, not productive needs.
5. We can justify Riba on the basis of it being a necessity of the current time and economic climate.



Q & A

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