



What is the Islamic view point on UK Student Loans?

The Deputy Vice Chancellor of the University of Bradford has expressed an interest in the matter. As far as I am aware the loan is taken out from the Student Loans Company on the premise that it will be paid back with interest. Below is something I have copied from the Student Loans Company Website:

The financial help a new full-time student can get depends on the course, where they live while they are studying, and their individual circumstances.

Customers can find details on how to apply for financial support, maintain their account and repay any loan(s), by accessing their appropriate [domicile website](#).

Types of help for new full-time higher education students include:

- [Tuition fee loans](#) to cover the full cost of tuition fees
- [Maintenance loans](#) to cover the cost of living expenses
- [Grants for living costs](#) to cover the cost of living expenses
- [Bursaries and scholarships](#) from universities and colleges
- Students can also get [extra help](#) if they have children or adult dependants, or have a disability or specific learning difficulty.

For the majority of students, a loan will comprise of the tuition fee loan plus a maintenance loan, and this will be paid directly at the start of each academic term. Everyone on an eligible course qualifies for 75% of the maximum loan, regardless of income, and the rest is income-assessed. These loans accrue interest at the rate of inflation, which means that the amount repaid has the same value as the amount borrowed.

The repayment of loans is repaid through the tax system, and only begins after the student has left higher education and is earning over £15,000. This system of collection is known as Income-Contingent Repayment (ICR), because it tapers the repayment obligation according to the gross income of the account holder. It is distinct from the previous mortgage-style scheme in which the monthly repayments were fixed and account holders whose incomes exceeded the deferment threshold, were required to repay the entire installment each month.

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The question of whether loans can be linked to the consumer [or other] price index and thus the interest paid at the rate of inflation has remained the subject of much debate by contemporary Muslim scholars, and hitherto there does not appear to be any measure of consensus. While the argument propositioned by proponents is that, under the structure outlined above, the amount repaid has the same value as the amount borrowed; Islamic law requires that a loan must be repaid in accordance with number of units borrowed regardless of value. This is amply illustrated by the following:

An exchange between the same genus of a homogenous commodity requires that the exchange is equal and hand-to-hand.

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It is reported from 'Ubaadah b. Saamit ﷺ, he said: The Messenger of Allah ﷺ said: "Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, and salt for salt – like for like, equal for equal, and hand-to-hand; if these commodities differ then you may sell as you wish, provided that the exchange is hand-to-hand."

[Muslim]

The above *hadith* provides that an exchange between the same genus of a homogenous commodity requires that it is equal and hand-to-hand. An unequal sale or deferred sale of these commodities constitutes *riba*. However, if one genus is exchanged for another, then while an unequal exchange is permitted it must be hand-to-hand. In jurisprudential texts the six commodities enumerated in the above *hadith* are referred to as *amwaal al-ribawiyyah* - usurious commodities and their ruling is extended to include other commodities based on the *illah* - causative factor common between the two. However, as that is not materially relevant to the more important aspect of the question, I will not elaborate on that here. The interesting point to note here is that an exchange of homogenous commodities in equal amounts and hand-to-hand should only arise if they differ in quality and/or characteristic, otherwise the exchange would be pointless. Thus, one may, for example, exchange different qualities of rice, wheat, dates or salt etc of varying value, yet the exchange must be of equal units. It is thus clear that in usurious commodities the units of exchange must be equal even if they differ in value. This point is expressed even more clearly in the following *hadith*:

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It is reported from 'Abd al-Majeed b. Suhail b. 'Abdurrahmaan that he heard Sa'eed b. al-Musayyib report that Abu Hurairah ﷺ and Abu Sa'eed al-Khudri ﷺ related to him that the Messenger of Allah ﷺ sent an Ansari member of the Banu 'Adi clan [Sawaad b. Ghaziyyah ﷺ] and appointed him as the Governor of Kheybar [with the responsibility of collecting zakat and other revenues]. He returned with Janeeb dates [a superior quality of dates]. The Messenger of Allah ﷺ inquired: "Are all the dates of Kheybar like so?" He replied: "No, by Allah, O Messenger of Allah! Indeed, we barter a saa' - a unit of measure of volume - [of Janeeb dates] with two saa' of a mixture [of inferior dates]. The Messenger of Allah ﷺ said: "Do not do so. Rather, [sell] equal for equal or sell these and then purchase with its price the other. And similar [to what is measured by volume] is that which is measured by weight [i.e., they should be transacted equally]."

[Muslim]

It is abundantly clear from the above *hadith* that usurious commodities must be exchanged in equal units of measure or weight and hand-to-hand irrespective of the difference in value.

The Messenger of Allah ﷺ did not allow the exchange of a superior quality of date for an inferior quality except in equal amounts of volume, but advised that if one desired to give consideration to the superior quality of one of the counter-values, one should first sell it for a price and then use the price to purchase a greater volume of the inferior quality. In this manner, the exchange of a homogenous commodity of the same genus would be avoided and thus *riba* would be averted.

While the above details are concerned with the spot sales of usurious commodities, in the issue of loans, wherein *riba* features most in its original sense, it is even more important that an unequal exchange is avoided.

There is a consensus amongst Muslim jurists, past and present, that if one loans a fungible product such as a measure of wheat at a specific price and then returns the loan at a later date when the price of wheat has fallen, the same measure of wheat must be returned and the lender is not allowed to demand an increment on account of the depreciation in value. It is thus clear that the same units of measure that must be returned as opposed to the same value of the loaned item.

Contemporary jurists have ruled that fiat money, which has no intrinsic value, follows the same rules as commodity money. The rules that apply to the latter also apply to the former. Thus, when a sum of fiat money is loaned, the lender cannot demand any increment above the sum of the loan irrespective of the value at the time of repayment. Therefore, in the case of the current structure of student loans, as the lender demands an increment at the rate of inflation, this amounts to *riba* which is prohibited. Thus, student loans as they stand are not suitable for Muslims.

It is important to note that whilst conventional finance treats money as a commodity that is able to earn profit in its own right; the Islamic concept of finance considers money only a measure of value and a medium of exchange with no intrinsic utility. Furthermore, according to the former, the advancement of a loan is purely a commercial transaction designed to yield a fixed rate of return. However, according to Islam, a loan is not a return-generating commercial transaction; but rather, it is purely an act of altruism aimed at reaping reward only in the Hereafter. If one desires to avoid the risk of depreciation in value or to earn a return on one's funds, the mechanism for that is to enter in to a partnership with the borrower wherein profit is shared at a pre-agreed ratio and losses are borne according to the rate of investment.

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