



In the name of Allah, The Beneficent, The Merciful

## Islamic Viewpoint on Student Loans – An Overview

This *fatwā* seeks to provide clarity on the issue of the current loans system and whether the repayment of student loans contains interest and is, therefore, prohibited.

The *fatwā* begins by addressing the common understanding regarding student loans that repayment is commensurate to inflation rates, rather than outright bolt on interest. While this may be the case, this fatwa submits that the agreement still falls foul of Islamic law. The *fatwā* explains that *sharī'ah* ruling does not mandate the **value** being the same as borrowed, but rather that the **units** repaid be the same as borrowed, and this is not the case in the matter of student loans as they stand currently. This *fatwā* explains that it is with this key distinction that the problem with the current system lies.

Drawing on two key hadiths in relation to *ribā* and usury, this *fatwā* provides clear and precise examples of what 'equal units' amount to and how an unequal sale can constitute *ribā* in this regard. In the case of *ribā*, where there is vast possibility for inequality between lender and lendee, the *fatwā* emphasises the importance for the Muslim of avoiding unequal exchange.

In concluding, the *fatwā* deems the current student loans situation (2013) to amount to *ribā* which is prohibited, on the basis that the lender demands an increment on the basis of inflation.