



Your Financial Transactions

- Honesty
- Truthfulness
- Efficiency

Your Financial Transactions

Allah ﷻ commands and encourages Muslims to earn their livelihood. This is clear in a number of aspects including the following:

- The Prophet ﷺ has forbidden us from begging as long as we are able to earn a livelihood and informs us that those who engage in begging despite their ability to scrape a living, lose their dignity in the sight of Allah and that of people: “A person who unnecessarily continues to beg will stand before Almighty Allah [on the Day of Judgement] without a shred of flesh on his face.” (*Saheeh Al-Bukhaaree*: 1405; *Saheeh Muslim*: 1040)

He also said, “If a person who is afflicted with poverty refers it to people, his poverty will not be brought to an end; but if he refers it to Allah, Allah will soon give him sufficiency.” (*Sunan Ahmad*: 3869; *Sunan Abu Daawood*: 1645)

- Islam respects all types of occupations in any field, trade, industry, services, investment or in any other field, as long as they are lawful and do not involve any wrongdoing whatsoever. Indeed, Islam informs us that prophets engaged in decent occupations prevalent in their societies. As the Prophet ﷺ said, “Allah did not send a prophet who did not tend sheep.” (*Saheeh Al-Bukhaaree*: 2143) He mentioned once that Prophet Zachariah ﷺ was a carpenter. (*Saheeh Muslim*: 2379)
- A person who engages in an occupation with the intention of supporting himself and his family and helping the needy will be abundantly rewarded for his effort.



> Islam respects all types of occupations as long as they are lawful and do not involve any wrongdoing whatsoever.

All Types of Transactions Are Generally Allowed in Islam

All types of transactions are, as a general rule, allowed in Islam. These include selling, buying, leasing and all kinds of transactions which people need in their everyday lives, with the exception of those things which are forbidden due to their innate impurity or the manner they are acquired.

Things That Are prohibited Due to Their Innate Impurity

These are things which Allah has declared unlawful due to their innate impurity and therefore must not be sold, purchased, leased, manufactured or put into circulation.

Examples of things which Islam has prohibited due to their innate impurity

- The flesh of dogs and pigs
- Dead animals or any part of them
- Alcoholic drinks

- Drugs and all other substances which are injurious to health
- materials that aim to spread immorality, such as pornographic tapes, magazines and websites
- Idols or anything that is worshipped besides or instead of Allah

Things That Are prohibited Due to the Manner They Are Acquired

These are things which are naturally lawful but have become unlawful due to the manner in which they are acquired, causing harm to the individual and society at large. Things which generally render transactions unlawful are:

Usury (*riba*), deception, injustice and gambling.

We will clarify these in the following pages.

> Usury (*Ribaa*)

Usury (*riba*) is the practice of assigning a fee on credit and other borrowed assets on top of the principal borrowed amount, thus making a profit on the loan, which is strictly prohibited in Islam due to the harm and injustice involved in it.

Ribaa is of different types, but the most serious type of *riba*, and thus the one that is all the more unlawful, is one relating to loans and debts. It covers any stipulated additional amount over the principal in a transaction of loan or debt and is of two types.



> Every loan or debt from which the lender makes a profit is a form of *riba*.

■ *Ribaa* on Debts

This type of *riba* exists in every debt, which carries a stipulation binding the debt- or to pay to the creditor any sum of money in excess of the principal sum of the debt.

Example: John borrows £1000 from Martin and promises to pay it back after a month. However, John finds himself unable to pay the debt off after a month and so Martin, the creditor, stipulates that John either pays the debt off without any excess of the principal sum of the debt or pay £1100 after another month. If, however, he still cannot possibly pay that sum off either after a month, Martin will defer payment another month on condition that John pays £1200.

■ *Ribaa* on Loans

In this type of *riba*, a person takes out a loan from another person or from a bank with the stipulation at the time of the contract that the borrower must pay an annual interest both parties agree upon of, say 5%, on the borrowed amount to the lender.

Example: John is interested in a house which is worth £100,000 but does not have enough money to purchase it, so he takes out a loan from the bank on condition that he must pay the bank £150,000 in monthly instalments over a period of five years.

Ribaa is strictly forbidden in Islam and is one of the major sins as long as the loan is taken out with interest, whether it is an investment loan for financing a business or industry or purchasing a vital asset such as a house or property, or a consumer loan for personal, family or household purposes.

However, purchasing goods in instalments at a price higher than the actual price paid in cash is not considered a form of *riba*.

Example: A person has the choice to purchase a kitchen appliance for £1000 and pay for it in cash or for £1200 in monthly instalments, paying a monthly amount of £100 to the owner of the store from which he purchased the appliance.

The Islamic Ruling on *Ribaa*

Textual evidence from the Qur'an and the Prophet's traditions, points out that *riba* is strictly forbidden in Islam, that it is one of the major sins and that Allah has not declared war on any one of the sinners except those who deal with *riba*. In fact, *riba* is forbidden, not only in Islam but also in all previous divine religions. Such a ruling, however, was changed after numerous distortions crept into the religious texts of such religions, and altered many other rulings. Allah ﷻ mentions that he inflicted punishment on a group of the People of the Book "for their taking usury although it had been forbidden to them." (*Soorat An-Nisaa*, 4:161)

Punishment for *Ribaa*

1 Those who engage in usurious transactions expose themselves to a war which Allah ﷻ and His Messenger ﷺ have declared on those who deal with *riba*, thereby becoming their enemies. As the Qur'an states, "If you do not do so, be warned of war from Allah and His Messenger. But if you

repent, you may have your capital, without wronging and without being wronged." (*Soorat Al-Baqarah*, 2: 279) Indeed, such a war leaves devastating physical and psychological effects, and the numerous forms of deep anxiety and depression that have afflicted people these days are some signs of such a war which Allah has declared on those who disobey His commands by engaging in usurious transactions. The effects of such war in the hereafter will be far worse than one can possibly imagine.

2 Those who engage in usurious transactions in any way are deprived of Allah's mercy. Jaabir ibn'Abdullaah ؓ narrated: "Allah's Messenger cursed the person who accepts usury (interest), the one who gives it, the one who records it and the two witnesses to it." He said, "They are all sinners." (*Saheeh Muslim*: 1598)

3 They will be resurrected on the Day of Judgement in such an unsightly manner that they will be staggering, jerking and shaking like someone suffering from madness or experiencing epileptic seizures, as the Qur'an states, "Those who take unlawful interest will stand before Allah [on the Day of Judgement] as those who suffer from a mental imbalance because of Satan's touch." (*Soorat Al-Baqarah*, 2: 275)

4 Profits made from usurious transactions, no matter how massive they may look, will be deprived of all blessing, and those who make use of such profits will find neither happiness, nor peace of mind, as the Qur'an states, "Allah deprives usurious gains of all blessing, whereas He blesses charitable deeds with manifold increase." (*Soorat Al-Baqarah*, 2: 276)

Detrimental Effects of Ribaa on the Individual and Society

Islam has strictly forbidden *riba* due to the great deal of harm it is bound to inflict on both the individual and society. Such detrimental effects include the following:

1 It causes a severe disorder in the distribution of wealth and widens the gulf between the rich and the poor

Because *riba* tends to concentrate wealth in the hands of a few individuals and prevents it from being used for the general good of the community, it causes an inequitable distribution of wealth and resources and divides society into a tiny super-rich minority and a large poor or deprived large majority, a state of affairs which normally gives rise to hatred and crimes in society.

2 It encourages wasteful extravagance

The fact that taking out loans from financial institutions that charge interest on such loans has become more readily available than ever before has encouraged many people to become big wasters. Finding a financial institution from which to borrow money to meet all kinds of needs, they tend to spend lavishly on luxury items, only to find themselves burdened by debts which cause them depression, anxiety and stress and which they cannot possibly pay off.

3 It dissuades investors from investing in domestic beneficial projects

Lured by the interest gains the usurious system has allowed investors to derive from their capital, they desist from investing their capital in domestic industrial, agricultural and commercial projects, no matter how beneficial such projects may be to society, as

they believe these projects involve some risk and require a great deal of effort.

4 It deprives wealth of all blessing and leads to economic crises

All economic crises undergone by financial institutions and individuals alike are, in the main, caused by persistence in engaging in usurious transactions and are some of the reasons why such transactions are deprived of all blessing, as opposed to charitable deeds which are bound to bless wealth and increase it. As the Qur'an states, "Allah deprives usurious gains of all blessing, whereas He blesses charitable deeds with manifold increase." (*Soorat Al-Baqarah*, 2: 276)

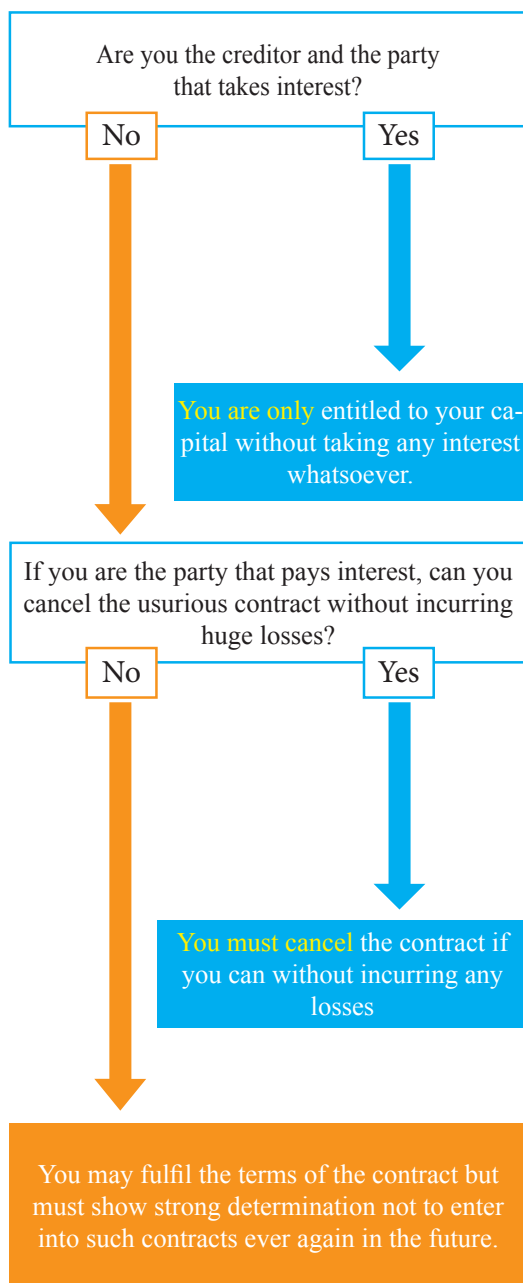


> *Ribaa* deprives wealth of all blessing and is bound to lead to economic crises.

What is the ruling regarding a person who embraces Islam while he is a party to a usurious contract?

This involves two cases:

1. If he is the party that takes interest, he is only entitled to his capital and must desist, as soon as he embraces Islam, from taking any interest whatsoever, as the Qur'an states, "But if you repent, you may have your capital, without wronging and without being wronged." (*Soorat Al-Baqarah*, 2: 279) If he receives any further interest after embracing Islam, he can get rid of it by donating it to charity to support charitable causes.
2. If he is the party that pays interest, two cases are involved here:
 - If he can cancel the contract without incurring huge losses, then he must do so.
 - If, however, he cannot cancel the contract except by incurring huge losses, he may fulfil the terms of the contract but must show strong determination not to enter into such contracts ever again in the future, as the Qur'an states, "Whoever is given a warning by his Lord and then desists, may keep what he received in the past and his affair is Allah's concern. As for those who return to it, they will be the Companions of the Fire, remaining in it timelessly, for ever." (*Soorat Al-Baqarah*, 2: 275)



> Deception through Ignorance and Uncertainty (Gharar)



A contract that is based on uncertainty and ignorance (*gharar*) is one which involves a certain amount of risk or deception which is bound to lead to disagreements and disputes between the parties to the contract or cause one of them to wrong the other.

Islam has strictly forbidden this type of contract in order to block the means to disputes and all forms of injustice. In fact, it declares it prohibited even if it may be an acceptable practice amongst people, for the Prophet ﷺ has forbidden sales which involve deception through ignorance. (*Saheeh Muslim*: 1513)

Examples of sales contracts that involve deception through ignorance

- 1 Selling fruits before they ripen and become ready for picking. Indeed, the Prophet ﷺ has forbidden the sale of dates until their benefit becomes evident and suitable for eating, for there is a chance that they may become decayed and never ripen.
- 2 Paying a certain amount of money to purchase a box without knowing whether its contents are valuable or worthless.

Circumstances under which *gharar* (ignorance and uncertainty) may affect the contract

Ignorance and uncertainty (*gharar*) may only affect the contract and render it impermissible if the contract involves a great deal of it and if it relates to the object of the contract.

Therefore, a Muslim may purchase a house even if he is not aware of such things as the type of building materials used in the construction of the house and the type of paint used in painting it, for such ignorance is rather trivial and does not affect the object of the contract.

> Injustice and Wrongfully Taking Other People's Property

Injustice is one of the most heinous deeds against which Islam has vehemently warned. The Prophet ﷺ said in this connection, “Beware of injustice, for indeed injustice will be darkness on the Day of Judgement.” (*Saheeh Al-Bukhaaree*: 2315; *Saheeh Muslim*: 2579)

Indeed, Islam considers the act of taking other people's property wrongfully, no matter how small this property may be, one of the most odious sins and warns those who commit it against severe punishment in the hereafter. As the Prophet ﷺ said, “If anyone takes a span of land unjustly, its extent taken from seven earths will be tied round his neck on the Day of Resurrection.” (*Saheeh Al-Bukhaaree*: 2321; *Saheeh Muslim*: 1610)

Examples of forms of injustice committed in business transactions

1 Coercion: A transaction that is conducted under coercion in any form whatsoever invalidates the contract. Indeed, mutual consent between the parties to the contract is



> Taking other people's property wrongfully, no matter how small it may be, is one of the most heinous sins in Islam.

a necessary condition for the validity of a business transaction, as the Prophet ﷺ once observed, “A sale is a sale only if it is made through mutual consent.” (*Sunan Ibn Maajah*: 2185)

2 Dishonesty: deceiving other people to take their property wrongfully is one of the major sins, as the Prophet ﷺ said, “Whoever cheats us is not one of us.” (*Saheeh Muslim*: 101). Once, while the Prophet ﷺ was walking in the market, he passed by a pile of food and put his hands inside it. Feeling water on his fingers, he turned to the seller of the food and said, “What is this?” “It was left out in the rain, Messenger of Allah,” he replied. “Why don't you put the wet food on top of the pile so that people can see it?” the Prophet ﷺ disapprovingly said, “Whoever deceives us is not one of us.” (*Sunan At-Tirmidhee*: 1315)

3 Manipulating the Law: Some cunning people, when presenting their cases in court, speak in honeyed tones and in a convincing manner in order to take other people's property wrongfully, not realising that even if the judge rules in their favour he cannot possibly turn falsehood into truth. Addressing some of his companions once, the Prophet ﷺ said, “I am only a human being, and litigants come to me to settle their disputes. It may be that one of you may present his case more eloquently and in a more convincing way than his opponent, whereby I may consider him to be in the right and thus pass a judgement in his favour based on what I have heard. Therefore, if I ever

give the right of a Muslim to another by mistake [while he knows that he is in the wrong], then the one in the wrong must not take, it for I will actually be giving him only a piece of Fire.” (*Saheeh Al-Bukhaaree*: 6748; *Saheeh Muslim*: 1713)

4

Bribery: Bribery is a sum of money given or a service rendered in order to influence the judgement or conduct of a person in a position of trust and thus get something illegally. Islam considers bribery one of the most atrocious forms of injustice and the most heinous sins. The Prophet ﷺ went as far as to curse those who give bribes and those who accept them.” (*Sunan At-Tirmidhee*: 1337)

When bribery becomes widespread, it destroys the very fabric of society and affects its development and prosperity.

What is the Islamic ruling regarding a person who has taken people's property before embracing Islam?

If a person embraces Islam while he is still in possession of money which he has acquired as a result of deceiving or assaulting others through theft or embezzlement, for instance, then he must return it to its legal owners as long as he knows them and can do so without incurring any harm whatsoever upon himself.

Even if he has committed such an injustice before embracing Islam, the money he has taken from other people wrongfully is still in his possession and he must thus return it to its legitimate owners, as the Qur'an states, "Allah commands you to deliver trusts back to their owners." (*Soorat An-Nisaa*, 4:58)

If, however, he does not know its rightful owners after exhausting all possible ways to find out who they are, he can get rid of it by giving it away to charity.



> Allah's Messenger ﷺ has cursed those who give bribes and those who take them.

> Gambling

What is Gambling?

Gambling is the act of risking money upon the outcome of a contest of chance. In this way, a person risks money upon an agreement that he or someone else will receive something of value in the event of a certain outcome. Put simply, gambling involves betting that must result either in a gain or a loss, and the gambler profits solely at another person's loss.

The Islamic Ruling on Gambling

Gambling is strictly forbidden, as supported by textual evidence from the Qur'an and the Prophet's traditions, including the following:

- 1 Allah ﷻ considers the sin of engaging in gambling to be far greater than the profit gained from it, as the Qur'an states, "They will ask you about alcoholic drinks and gambling. Say, 'There is great wrong in both of them and also certain benefits for mankind. But the wrong in them is greater than the benefit.'" (*Soorat Al-Baqarah*, 2: 219)
- 2 Allah ﷻ considers it to be a type of filth and abomination due to its detrimental effects on the individual and society and commands the faithful to avoid it as it sows enmity and hatred amongst them and turns them away from the remembrance of Allah and from prayer, as the Qur'an states, "O you who believe, intoxicants, gambling, stone altars and divining arrows are abominations devised by Satan. Avoid them so that you may be successful. Satan only seeks to sow enmity and hatred among you by means of wine and gambling, and to keep you from the remembrance of God and from your prayers. Will you not then abstain?" (*Soorat Al-Maa'idah*, 5:90-1)



> Gambling gets gamblers caught in the grip of addiction.

Detrimental Effects of Gambling on the Individual and Society

Gambling has numerous adverse effects on the individual and society including the following:

- 1 It precipitates enmity and hatred among gamblers, for when friends gamble and one of them wins and takes their money they will undoubtedly feel hatred towards him and hold grudges against him and even plot against him and harm him. This is a known fact that is based upon observation. The Qur'an states in this context, "Satan only seeks to sow enmity and hatred among you by means of wine and gambling." Besides, it distracts from the obligatory prayers and the remembrance of Allah, as the Qur'an states in the context of mentioning Satan's tireless effort to make gambling look good to man, "and to keep you from the remembrance of Allah and from your prayers. Will you not then abstain?" (*Soorat Al-Maa'idah*, 5:90-1)

- 2 It destroys wealth and causes gamblers to suffer heavy financial losses and personal or legal problems.
- 3 The thrill of gambling and the possibility of winning becomes addictive. If the gambler wins, he becomes greedier and gets carried away, hopeful to acquire more ill-gotten gains. If he loses, he does not give up easily and carries on gambling in the hope of getting back what he has lost. Both gain and loss stand in the way of productive work and constitute a creeping evil that destroys society.

Types of Gambling

Types of gambling, past and present, are many, and modern forms of gambling include the following:

- 1 Playing a game in which players stipulate that the winner will take some money. For instance, a group of people have a game of cards, each one of them setting aside a certain amount of money, and the winner takes all of it.
- 2 Betting, which is the act of risking money on the unknown result of an event. For instance, each gambler places a bet on a certain team in, say, a football match, and one can only win the bet if the team on which the bet is placed wins, otherwise the bet is lost, which means loss of money.
- 3 Lottery, which is a type of gambling that has the element of chance. In a lottery, lots, usually in the form of tickets, are purchased and a lot is randomly selected to win a prize, usually a large sum of money. For instance, one purchases a ticket for £1 in the hope of winning £1000.
- 4 All types of gambling without exception, casino or non-casino gambling games, such as electronic and online gambling, involve money that gamblers can either win or lose.



> Islam forbids all types of gambling without exception and considers gambling a major sin.

Examples of Business Ethics which Islam Has Stressed

Islam instructs its followers to observe certain ethics when they engage in financial transactions, including the following:



Honesty

Islam requires its adherents to be honest in their dealings with Muslims and non-Muslims alike. Indeed, honesty is one of the most important moral principles which testifies to a Muslim's devoutness. Its importance is indicated in a number of Qur'anic verses and traditions of the Prophet ﷺ, including the following:

- Allah says, "Allah commands you to deliver trusts back to their owners." (*Soorat An-Nisaa'*, 4:58)
- The Prophet ﷺ considers betraying the trust as one of the signs of hypocrisy: "The signs of the hypocrite are three: when he speaks he lies, when he promises he breaks his promise and when he is entrusted he betrays the trust." (*Saheeh Al-Bukhaaree*: 33; *Saheeh Muslim*: 59)
- Honesty is among the characteristics of the believers whom Allah calls "successful" because they "honour their trusts and their contracts", among other traits. (*Soorat Al-Mu'minoon*, 23:8)
- It is for this reason that the Prophet ﷺ considers those who do not fulfil the terms and conditions of the trusts which are placed in their charge to have no faith: "The person who does not fulfil the terms of his trust has no faith." (*Sunan Ahmad*: 12567)
- The Prophet ﷺ was known by his honorific title of *As-Saadiq al-Ameen* (the truthful and trustworthy) before the advent of Islam, for he was the epitome of honesty in all his dealings.



Truthfulness

Truthfulness and transparency are among the virtues that Islam has stressed

- The Prophet ﷺ said, “The seller and the buyer have the right to keep or return goods as long as they have not parted; and if both parties speak the truth and describe the defects and qualities of the goods, their transaction will be blessed; however, if they tell lies or hide something, their transaction will be deprived of all blessings.” (*Saheeh Al-Bukhaaree*: 1973; *Saheeh Muslim*: 1532)
- He also said, “Be truthful, for truthfulness leads to righteousness, and righteousness leads to Paradise. A man keeps on telling the truth until he becomes known as a truthful person.” (*Saheeh Muslim*: 2607)
- Some traders often have recourse to swearing falsely claiming that their merchandise is of good quality in order to persuade the buyers to purchase it. Islam considers such an act one of the major sins, as the Prophet ﷺ said, “Allah will not speak to three types of people on the Day of Judgement, nor will He look at them, nor purify them and they will have a severe punishment.” Amongst these types he mentioned those who “swear falsely in order to sell their goods.” (*Saheeh Muslim*: 106)



Proficiency

A Muslim, no matter what his occupation may be, must carry out his duties with efficiency and to the best of his ability, making efficiency his guiding principle in all his endeavours

- Allah ﷻ has prescribed proficiency in all things and requires Muslims to observe it in all aspects of life, even when doing things that may, on the surface, seem unimportant, such as hunting and slaughtering. The Prophet ﷺ said in this regard, “Allah has prescribed proficiency in all things. Thus, if you kill, kill well; and if you slaughter, slaughter well. Let each one of you sharpen his blade and let him spare suffering to the animal he slaughters.” (*Saheeh Muslim*: 1955)
- Once, he attended the funeral of a man and gave instructions to his companions to level the grave and carry out the burial process efficiently. Then he turned to them and said, “Doing so will neither benefit the deceased, nor harm him; however, if a worker does any work, Allah loves to see him do it well and with efficiency.” (*Al-Bayhaqee’s Shu’ab Al-Eemaan*: 5315) Another narration reads, “If any of you undertakes to do any work, Allah loves to see him do it well and with efficiency.” (*Musnad Abu Ya’laa*: 4386; *Al-Bayhaqee’s Shu’ab Al-Eemaan*: 4312) Read more about moral character on page 225