

## The Facts About Usury: Why Islam Is Against Lending Money At Interest

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### Introduction

Indeed all praises is for Allah, we praise Him, and we seek His aid, and we ask for His forgiveness, and we seek Allah's refuge from the evils of ourselves and from our evil actions, he whom Allah guides then none can misguide him, and he whom Allah misguides then none can guide him, and I bear witness that none has the right to be worshipped except Allah, Alone, having no partners, and I bear witness that Muḥammad<sup>(P)</sup> is His slave and His Messenger.

To proceed:

After the South-Asian economic tigers turned into paupers after the meltdown, it was realized that their economic model was no longer the one that needs to be emulated. The capital borrowed by these economies (at an interest, of course!) to fire up their economic engine was without any or little circumspection.

But when the bubble burst, the currency plunged, many banks went bankrupt and so did the people into hard times. The good old International Monetary Fund (IMF) came to the rescue of many countries with loans with a high interest tag and sell out of the nations to hungry multi-nationals, euphemistically called as 'opening the economy'.

Muslim majority countries like Malaysia and Indonesia suddenly turned towards the God and Qur'ân for guidance. But still they are yet to realize that the economic mess which they are in, is their own doing. By following the disbelievers in their actions, they brought themselves into hardships.

It is true that Muslims have started 'monkeying' the Western values blindly in almost everything. This comes with the rejection of Islamic values which are considered to be 'old' and hence should be 'discarded'.

The so-called 'Freedom', 'Human Rights', 'Democracy' and 'Women's Rights' in Europe and America is nothing short of a joke. It may impress uneducated people in so-called Third World countries, but anyone who has studied history knows that these things came about in spite of the Church, not because of it. Just think how the standards in a democracy change: Couple of decades or so ago, homosexuality was looked down-upon in many 'democratic' countries. Some people realized that the homosexuals were not getting a good deal in the society. Therefore, the virtues of Sodom were sung, movies were made to promote their cause (notably, the Oscar winning Philadelphia!) and even the Church started singing *God hates sin but loves sinner* to attract the homosexuals to the Church (one wonders what did God do to the people of Sodom and Gomorrah!).

In a gist, the values of a democratic society changes when a number of people decide to take a change (after all, democracy is by the people!). They can decide to support a dictator of a country one day and demonize him the other day. Presidents Saddam Hussein of Iraq and Suharto of Indonesia would be good examples. It is also well known that 'Freedom', 'Human Rights', 'Democracy' and 'Women's Rights' take a back-seat when the economic interests are more important than anything else. Indonesia was one such

example and now Algeria is a prime example of the Western hypocrisy. To the West, democracy did not matter when democratically elected party of Islamists won; the elections were cancelled. After all, the Western companies have to get the lucrative business of newly discovered oil and gas reserves in Algeria.

After working through this hypocrisy of the West, let us now take a look at the article. The article below on usury, which was published as a pamphlet by UK Islamic Mission Da'wah Centre, Birmingham, is definitely an eye-opener, *inshallah*, for people who do not realize what economies based on usury and speculation can lead to grave problems for the mankind.

Lastly, has anyone ever wondered why a third world country remains a third world with a perpetual budget deficit even after IMF has 'helped' them out of their economic problems?

## The Article

At times of economic hardship, when every good idea fails, just because "the money can't be found", when a decline in services is explained with the need "to reduce the deficit", when business can't afford new investment because of the "high cost of borrowing", when mortgage rates have gone up so much that it becomes difficult to maintain a decent living standard, many small savers still think that high interest rates mean at least that they get the most out of their savings. The truth is, they pay more than they get.

According to most governments the only ways to control the deficit are to raise taxes or to cut government spending. However, considering that the deficit continues to grow simply because of the exorbitant amounts of compound interest added to the original debt, one of the most effective ways to reduce the deficit would be to reduce interest rates.

## Lower interest rates = lower deficit

In fact, at zero interest, the debt would not grow at all, and the large amounts of money spent in servicing the debt could be used to pay it off.

Now consider what the Qur'ân has to say on the subject of usury, that is lending money at interest:

**"Those who devour usury will not stand except as stands one whom the devil by his touch has driven to madness. That is because they say: Trade is like usury: but Allaah has permitted trade and forbidden usury.... Allaah will deprive usury of all blessing, but will give increase for deeds of charity, for He loves not any ungrateful sinner.... O you who believe, fear Allaah and give up what remains of your demand for usury, if you are indeed believers. If you do it not, take notice of war from Allaah and His messenger, but if you repent you shall have your capital sums; deal not unjustly, and you shall not be dealt with unjustly. And if the debtor is in difficulty, grant him time tin it is easy for him to repay. But if you remit it by way of charity, that is best for you if you only knew."** [Surah al Baqarah, verse 275-280].

How urgently is this message needed in a world where the "debt crisis" threatens to destroy and annihilate our civilisation, where open warfare is increasingly the consequence of the anxiety and suffering that spring from third world debt. Politicians have seldom looked at money-lending at interest as the cause of widespread poverty in the midst of plenty, because whilst this practice

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was once forbidden by Judaism, Christianity and Islam alike, it has become universally accepted in the modern world of secularism. It has been argued that money is a "producer good" and that the lender should receive a share of the extra wealth that these goods produce. Yet this is illogical on several points. The only true producer of wealth (i.e. goods and services) is Labour when it is applied to either Land or Capital. Unlike Land, Money is infinite when not artificially restricted, which it often is. Money is man-made out of nothing and at tiny real cost. This credit creation confers enormous economic power and influence on those usually private institutions who have secured for themselves monopoly rights in this money issue.

That private banks create money out of nothing is a fact too little known amongst the public. Our national debt stands at over 200 billion pounds, and that of other industrialised countries is of similar magnitude. Have you ever asked yourself who is that fabulous lender who always seems to have all the money which the government does not have? Whom does the nation owe the national debt? The truth is that when banks create money (as cheque-money or blips on computer screens) they lend what they have not got to reap where they did not sow. Their loans are not backed by any real wealth on their behalf. Nor do they lend out depositors' money (or when did the bank last tell you that you can't take out money from your account, because it has been lent to someone else?). When you give your house or business as guarantee for their money, this money is not backed by gold, silver or tangible wealth. It is an empty promise except for the fact that the government, with the central bank as lender of the last resort, is ready to bail out the banks should a run on their money occur.

Bank-created credit is based on the nation's capacity to produce and consume in the sense that whilst it is not issued nor backed by the government, the government - being the largest debtor - guarantees a certain return in debt service payments from its revenue. An increasing part of local and national government taxation today is raised for the purpose of servicing the interest payments on local and national government debt. So whether you personally borrow or not, you pay the interest on that fictitious money. Likewise, when you take a bank loan, you pay at least twice: you give a guarantee of real wealth in case of default, and you pay a penalty (as interest) for accepting money as a loan which costs the lender nothing and did not exist until it was created as a loan to you. Heads you lose, tails you lose again...

As should be evident by now, to base an economy on interest is a pretty stupid way of servicing a nation's need to produce, consume and trade. It results in the evils of inflation, unemployment, decline of services, trading war, and finally, shooting-wars. Using interest rates as a means to control the problems of a nation's economy is futile, as these problems were created by interest in the first place. Only when a government creates its own money supply free of charge to the nation to facilitate production, consumption and trade, instead of authorising private banks to create the nation's money and then holding the nation at ransom by breaking its back under the ensuing interest debt, only when we get back to a system where the usurer is not being rewarded for taking advantage of others' difficulties, will we achieve real prosperity.

Islam, often laughed at for sticking to its principles and not "moving with the times", has never given in to the demands of the money-lenders to change its tough stance on interest. Naturally, Islam has increasingly been attacked by the financial interests behind today's media and politics. Looking at the evidence with an open mind, however, it should not take you long to realise that Islam makes sense, and interest doesn't. And Allaah knows best!