



Rulings on Usury-based Bank Transactions and Dealing with Islamic Banks

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In the Name of Allāh,

the Entirely Merciful, the Especially Merciful

Praise is due to Allāh, Lord of the worlds, may the blessings and peace be upon our master Muḥammad, the last of prophets, on his family, and all his companions.

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The Council of the International Islamic Fiqh Academy of the Organization of the Islamic Conference, holding its 2nd session in Jeddah, Saudi Arabia on 10-16 Rabī' al-Awwal 1406H (22-28 December 1985),

Having examined different studies submitted to the Academy concerning contemporary financial transactions,

Having discussed in depth all aspects, highlighting that these transactions have a negative impact on the international economic order and stability, especially with regard to third-world countries,

Having recalled the destructive effects of the said system, due to its deviation from directives of the Quran, which clearly prohibits *ribā* (usury), be it total or partial, commands us to repent from it, permits us to recover only the loan principal, no more and no less, whether it is a large amount or a small one, and warns us of the retributions of Allāh and His Prophet against usurers,

Resolves

First: Any increase or interest on a matured debt in exchange for an extension of the maturity date, and in case the borrower is unable to pay and the increase (or interest) on loan at the inception of its agreement are both forms of usury, which are therefore prohibited in Shariah.

Second: An alternative that ensures cash flow and financial support for economic activities in a form acceptable to Islam is trading with each other in conformity with Shariah provisions.

Third: The Academy emphasizes the call to the governments of Muslim countries to encourage financial institutions that operate in accordance with the principles of Shariah, in order to meet the needs of Muslims, so that a Muslim will not have to live in a contradiction between the requirements of his faith and the realities of life.

Indeed, Allāh is All-Knowing.

