Concept of Usury in Islamic Sharia and its Impact on Civil and Commercial Transactions

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Abstract:

This research paper focused on the concept of usury and its impact on daily transactions.

The study traced the concept of usury in the Quran verses, Sunnah, and Scholars' opinions using the empirical methodology to deal with the problems of this research, such as the definition of usury, the rationale of prohibition, the impact of usury and the acceptable rate of interest, if any.

The research paper reached genuine results, which represent a comprehensive usury theory in Sharia. Some of those results are the definition, the rationale of prohibition, the type of usury, the new interpretation for some authorities in both the Quran and Sunnah, the limit of profit in the sale of goods contract and it discloses the economic theory in Sharia which justifies all the research outcomes.

The new theory can be applied among not only Islamic communities, but also can be adopted by all human societies notwithstanding their religion as long as they are keen to achieve peace, stability of dealing and the well-being of humanity.

Key Words: Islamic economy - Islamic banking – usury - interest.

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فكرة الربا وأثرها في المعاملات المدنية والتجارية

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الملخص:

يركز هذا البحث على فكرة الربا وأثرها على المعاملات اليومية التي تجري بين الناس. وتقصت الدراسة فكرة الربا في النصوص القرآنية ونصوص السنة وآراء الفقهاء مستخدمة المنهج الاستقرائي للتعامل مع المشكلات البحثية التي تعهدتها كتعريف الربا وحكمة تحريمه وأثره ومعدل الفائدة المقبول إن وجد.

توصل البحث إلى عدد من النتائج الأصيلة والتي تمثل نظرية متكاملة للربا في الشريعة الإسلامية، والتي يمكن تطبيقها ليس فقط في المجتمعات الإسلامية ولكن بالإمكان تبنيها بواسطة المجتمع الإنساني قاطبة بغض النظر عن الديانة التي ينتمي إليها طالما كان هدف ذلك المجتمع الوصول إلى السلام الاجتماعي والرفاهية والاستقرار.

ومن بين أهم النتائج التي توصلت إليها هذه الدراسة، إيجاد تعريف جامع مانع للربا وتقسيم جديد لأنواعه واستنباط الحكمة أو العلة من تحريمه والكشف عن تفسير جديد لبعض النصوص الغامضة أو المشكلة في كل من القرآن السنة التي تتعلق به بالإضافة إلى الكشف عن النظرية الإسلامية في الاقتصاد والتي تؤسس لكل نتائج هذه الدراسة.

الكلمات المفتاحية: الاقتصاد الإسلامي – البنوك الإسلامية – الربا – الفائدة.

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Introduction:

Usury is an old term, which appeared in most human regulations and most religions that have existed so far on the earth[1]. It seems like a concept which spoils economic regime as Islamic scholars say. Also, it seems like a great booster for the economy, and a very essential tool for keeping wealth from shrinking as secular economists assume. Recently, all these facts have become dubious, especially after the occurrence of the last economic recession in 2008, which has affected the United States of America and the European Community; because most of the economists say that the main cause of this crisis was the accumulated debts and their ramifications. Meanwhile, Islamic scholars are claiming that if the world economy had switched itself toward usury-free transactions, this economic crisis would not have happened. Neither the secular economists nor the Islamic scholars have succeeded in providing a proper detailed solution to this crisis, which spreads all over the world. It is obvious and understood that secular economists are trying some stimulus measures that might enable them to rescue the world economy, but it is going to be a bit confusing when you see the Islamic scholars are proposing a substitute solution, which is more usurious than the secular one.

These facts pose many questions in one's mind, some of which are: Why did Allah prohibit usury? Is it going to be damaging to the economy if it is not prohibited? How could that damage happen? Is there a theory, so far, illustrating usury and its provisions either in the economy or in religions? Are there any trustworthy resources from which we can spot the past and contemporary revelations of Allah regarding usury provisions? Has economic thinking, so far, succeeded in utilizing the ideas and thoughts of usury in managing the economy and tackling its problems and obstacles? Do activists in academia deal with the research in this regard properly?

All the above-mentioned questions and others, urged me to undertake research in this topic, at least, to get the answer for myself. However, when I started reading on the topic I was really stunned by the great deal of pseudoscience especially in the old Islamic jurisprudence research, which I can describe as just repetition of what has been said by preceding scholars. Therefore, the ambiguity of the concept of usury in previous studies really reassured me that this topic needed to be looked at it all over again; because it is correct to say that there is no clear concept of usury in Islamic jurisprudence. In addition, these previous studies rendered me very enthusiastic to research the topic aiming to correct the misconception of usury and probably to come up with the missed Islamic solution that we have been waiting for, for 1400 years.

So, the main problem of this research is still the same as the questions posed above but it becomes very clear to me that I have to clarify, by this research, if there is a theory of usury in the Sharia, and what are its features, if any?

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[1] Oxford English Dictionary. 2012; Oxford University press; http://www.merriam-webster.com/dictionary/usury/ (retrieved on 15/01/2019); http://www.realitysandwich.com/homepage_sacred_economics (retrieved on15/01/2019).

Relying on the empirical methodology the paper collects and compares the data on this topic, and then it discusses analytically and critically all the ideas of this research in every proposed problem, so as to reach the most respectful results that will be a positive addition to the body of knowledge.

In order to use the above-mentioned methodology to reach the proposed goals of this research, the paper discusses the following points as the main problems of this research:

- Definition of usury;
- Usury types;
- Rationale Behind Usury Prevention;
- The Textual Authorities (the Quran and Sunnah) and the classification of them according to the contract affected. (Exchange of goods, loan, sale of goods, hiring, company, and marriage contracts);
- Limit of the usurious excess in mutual contracts;
- Contemporary Islamic transactions;
- Usury Impact on Civil and Commercial Transactions.

Definition of usury:

Riba is an Arabic word which means excess[2], but in the Sharia terminology it means usury, which sometimes might mean an exorbitant interest in loan contracts. In both Arabic and English languages, people rarely use the term usury but they usually use the term riba in Arabic and the term interest in English. Although the term in both languages is old enough to define the concept of riba properly, still there is no consensus on a conclusive and comprehensive definition. The reason behind that was: scholars, in general, and especially Islamic scholars have not yet adopted a unified definition for it, rather there were many contradictory definitions of the term. Each of them cannot be described as a comprehensive one to clarify the term in a way that, at least, prevents other similar concepts from being mixed with it[3]. So, the paper before it chooses a definition for the term usury, it will discuss critically the definitions have already been made by each of the four prominent schools (Hanafiya Malikiya, Shafiya, and Hanabila), so as to come up with its own definition.

First, Definition of Usury in Hanafiya School:

Ahnafs define the term (usury) Riba as: "the excess that is not corresponding to any consideration and cannot be justified by any legal test other than the mere stipulation of one party in the mutual contract."[4] This definition in spite of the fact

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[2] Qamoos Al Maani, (RAB) chapter.

[3] El Kassani, Abu baker bin Masaud,1986, Badayee Elsanayee fee Tarteeb Alsharayee, Vol 7, Scientific Books press; El Karshi, Mohamed. 1989. Sharh Mukhtasar Khalil, Dar Al Fikr; Ibn Gudama,Mowafaqel Din Abdullah Ibn Ahmed.1985. Elmughni, Dar Ihya Al Turath; El Ansari, Zakria.1997. Elghurar Elbahia fee Shrah Elbahja Elwardia, Dr Al Kutup Al Ilmia; Itfaish, Mohamed Yousif. 1973. Sharh Kitab Elneel Wa Shifa Elaleel, Vol 8, Elershad press.

[4] Ibn Abdeen, Mohamed ibn Ameen ibn Omer ibn Abdel Aziz,(1992), Radel Muhtar Ala Al Dur Al Muktar (Hashiyat Ibn Abdeen), Dar Alfikir, Lebanon, vol. 4, page184; Al Khateeb, Mohamed ibn Ahmed, (1994), Mugnee Al Muhtaj Ila Maarifat Alfaz Al Menhaj, Dar Al Kutob Al Ilmiya, vol. 2, page 21.

that it is not confining the concept of riba to specific contracts, it does not mention frankly that it can be applied upon mutual contracts, accordingly, mutual contracts like company, marriage and rent contracts might not be included. So, this construe why no scholar says that riba might affect the above mentioned contracts. Moreover, this definition has not put a test, whatsoever, to measure the excess, hence the excess might not be clear enough to distinguish between contracts in the same type. Thus, this definition, for the purposes of this study, is not conclusive and not comprehensive.

Second, Definition of Usury in Malikiya and Shafiya Schools:

These two schools agreed upon a unified definition for riba as: "it is a contract with a private consideration which according to the legal test unjust, not resembling the other consideration, or involve deferral of one consideration or one of them."[5] The critiques that have been mentioned in Ahnaf School commentary can be raised here. Additionally, the phrase "private mutual consideration" makes the definition more ambiguous; because this phrase is vague enough to include many types of mutual contracts, which might pose a question of what are the features of that private mutual consideration? Accordingly, the definition by itself and in the light of opinion of commentators does not help clarifying the phrase. All in all, this definition is not conclusive and comprehensive and therefore would not be of much help for this study.

Thirdly, definition of usury in Hanabila School:

Hanabila has put forward a very short definition for the term riba as: "the excess in a special thing."[6] This definition is not differing than the language definition; accordingly it is wide enough to the extent that might engulf any kind of excess notwithstanding the affected contract. However, in practice the impact of this definition renders numerous of transactions that would be classified as usurious in other schools, are valid transactions, in Hanbila's point of view, according to the definition. So, that very last point, at least, might be seen as a fundamental conflict of views between this school and the rest of the Islamic jurisprudence schools in spite of the fact that all these schools are depending on the same authorities.

To sum up, the definitions aforementioned do not support this study, because they did not clarify the concept of riba in a way that help researcher to undertake a productive research in the topic.

What is the Way Out of this Issue?

First of all, that problem occurred because many of the scholars, who had tried to make up a definition for the term usury, studied the term without using the suitable methodology that can really lead to the proper analysis and the accurate classification of the concept and then result in a reasonable understanding. As it has been said in the introduction the ambiguity of the term 'usury' was the main issue, which urges me to undertake research in this topic, so, the definition of the term is

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[5] Ibn Juzzi, Mohamed ibn Ahmed, (not dated), Al Quwaneen Al Fiq'hiya, page 164.
[6] Al Bahooti, Mansoor ibn Younis, (2010), Kashaf Al Ginaa an Matn Al Ignaa, Dar Al Kutob Al Ilmiya, vol. 3, page 251.

one of the most important of its goals. Therefore, the paper will craft its own definition, in order to leave readers with a clear concept of the research topic, also, to give the readers an ample opportunity to follow the logic supporting the making up of the definition.

It is worth to be mentioned here that the following definition is crafted according to the agreed features of the riba in all schools and the crafted definition tries to avoid the critiques that have been raised against the previous definitions. Accordingly, and depending on the empirical methodology, the research undertook a survey to all kinds of contracts that might be susceptible to riba, classified them according to the authorities underpinning their usuriousness, inferred the rationale behind the prevention of riba, listed the characteristics that draw the clear boundaries of the usury concept in the affected contracts, and come up with the common features of these contracts. Thus, this methodology, at the end of the day, led to making up the following definition:

Definition of the term usury is:

A description emerges out of specific terms which normally affect mutual contracts, the impact of which always appears in an imbalanced consideration either by undue increasing one party's obligations or by unduly decreasing the other party's rights and vice-versa.

So, this definition states clearly that riba is not a transaction in itself, but it is a description that might label a transaction in specific circumstances. Also, this definition makes it clear that riba is affecting only mutual contracts. Moreover, the definition puts forward the criteria of how to measure the usurious excess which will normally render the contract usurious. Finally, the definition puts it frankly that the imbalance of the mutual considerations might be by virtue of the increase or decrease unduly the obligations of contract parties.

In the following pages the research will discuss the aforementioned features of the definition and put forward all the available proofs that hopefully establishes a strong ground for a clear theory of ribba.

Types of Usury:

Most of Islamic scholars often classify usury into two kinds, one of which is *Nasseia* usury and the other is *Fadul* usury[7]. We see this classification as inaccurate in spite of the fact that it is semi-settled among all Islamic Scholars; because it is very arbitrary and does not make any clarification or simplification of the concept of usury so as to be understood and dealt with by common people or even by specialists. Rather, that classification adds a great deal of ambiguity to the rationale of the concept of usury and the Islamic economic system as a whole.

Usury normally affects one kind of transactions according to our definition above-mentioned and also depending on the objective analysis that has already been undertaken of the resources investigated (the Quran and Sunna) and previous research. Therefore, we are going to adopt a different classification for usury, in

[7] El Kanssani7, op. cit., p.105; ElKarshi , op. cit., p.26 ; Ibn Gudama, op. cit., p.300; Al Ansari, op. cit., p.413 ; Itfaish, op. cit., p.32.

which we use the transaction that is susceptible to be affected by usury, as a base for it.

The new classification being built on the affected transaction, is not a clone of the classic classification of some other scholars, who classified the usury into *beyoo* (sales) usury and *deyoon* (debts) usury. We are not adopting this later classification; because it is susceptible to the same criticism as the former classification which is objectively expressing the same mistaken concept in different words and terminology.

Hence, and according to the comprehensive analysis of the resources (the Quran and Sunnah) and the contracts that are usually affected by usury, we come up with a whole new classification of usury. The new classification sees usury as only one concept, and it always exists in transactions, as an effect of a term or a promise. The new classification is also based on the fact that usury affects mutual contracts only. Therefore, we find it necessary for the concept of usury to be understood, that the classification should be in six groups, according to the different mutual contracts that might be affected by it.

Accordingly, usury is classified into six groups as follows:

Group One: usury in the contract of loan.

Group Two: usury in the sale of goods contract.

Group Three: usury in exchange and trading in transactions.

Group Four: usury in hiring (rent, lease and labor) contracts.

Group Five: usury in companies and partnership contracts.

Group Six: usury in the Marriage contract.

Later we will give details and all arguments supporting the crafting of each group and its validity.

However, in order to specify the ramifications of the concept of usury, we have to analytically discuss and clarify usury in each of the above mentioned groups. The usury is not a transaction in itself, but it is an effect resulting out from a term in one of any mutual contract. So, for example, in a loan contract the creditor may stipulate that the debtor has to reimburse the debt and 4% interest per month. In this example the interest, notwithstanding its rate, is usury and not the loan itself but the loan therefore can be considered usurious. The same analysis is true if the transaction is a sale of goods contract. Usury may exist when the seller who bought goods for $20 stipulates to have $40 as a price from the purchaser. The usury in the last example does not affect the whole transaction but it affects just $19 of the price. The stipulation of the $40 in the last example might have been valid, if the seller had said that the price had to be $21. The interest in the loan contract and the excess in the price of the sale of goods contract is the usury (the paper will discuss the limit of the profit and its authority later). Thus, usury as a description (an impact) of mutual contracts wouldn't affect the contract itself but it affects the excess which renders the parties' obligations imbalanced or one party's obligations become without a just consideration.

Islamic scholars do not agree on one theory regarding contracts but they agreed upon the concept of the existence of the contract when its principles (poles) are found, and also they agreed that the contract wouldn't be null and void if it was affected by a term stipulated, contrary to the legislature's will and intention. So, when such a term exists in any contract the contract is valid but the term has to be removed and considered as null and void[8]. This much of agreement among Islamic scholars is quite enough (for it) to be said that the impact of usury on the contract is only to render it invalid but capable of being rectified. The same result, also, can be declared according to the Quranic verse which can be read as: "O you who have believed, fulfil [all] contracts"[9]. This verse has to be understood in the light of Prophet Mohamed's proverb(Peace Be Upon Him (PBUH)), in which he said:" Muslims are obliged to perform their own agreed terms, but those terms which were stipulated to legalize illegal things or to forbid legal things shall be held null and void."[10]. So, usury, whose authority will soon be stated from the Quran and Sunna, always results from a term in a mutual contract. Hence, the usurious term will be nullified and the contract will remain valid, otherwise, the contract will be held invalid retroactively. Furthermore, this analysis also represents the trends of the usury verses in the Quran, as we will discuss later in this research.

To sum up, usury is a prohibited effect for a permissible term. The contract, which is affected by usury, is an invalid contract but it can be rectified by dismissing the usury term and its effect, if any.

Rationale Behind Usury Prevention:

Islamic scholars, when they speak about usury rationale and the shared abstract between issues prohibited as usury might speak about monetary, price, similarity and edibility of the prohibited issue as usury. Obviously, those scholars do not intend to show more than the rationale and the shared abstract of preventing the transaction of some items such as gold, silver, oat, wheat, bur and salt. In other words, they intend to clarify why the usury is thought to be found in dealings with these six items. Accordingly, some scholars deny the effect of usury in items other than these six ones, depending on their opinion that Prophet Mohamed (PBUH) has intended to prevent usury in just these types of goods. Other scholars widen the effect of usury where it can be envisaged in other items even if there were no shared abstract between them and these six items. There is a third group of scholars who see that usury can affect any goods associated with these six items in the rationale of prohibitions, so, in their opinion, the mention of these six items comes only as an example.

However, we will be able to see the shared abstract and the rationale behind the prevention of usury in all these cases clearly as: "to eliminate greediness of human behaviour". Greediness leads to taking advantage of others, cheating, making

[8] El Sanhoory, Abdelraziq Ahmed, 1998, Masadir Elhug fee Elfiqih Aleslami, Vol 3, Alhalabi Press.
[9] Quran Kareem, Surat Elmaydah v.1.
[10] El Bayhagy, Ahmedy bin Ali bin El Hussain bin Mussa, 2003, El Sunnan El Kubra.

misrepresentation, and committing many kinds of sins and crimes to obtaining other's money with undue reasons by greedy people. This shared abstract was mentioned in many texts in the Quran and Sunnah. In the following paragraphs we are going to state these texts.

In the Quran Allah said: "Who is he who will lend God a loan of goodness, that He may double it for him, and will have a generous reward"[11]. Also, Prophet Mohamed (PBUH) said: "Compassion of Allah will be upon who is tolerant when selling, tolerant when buying, tolerant when asking his debtor to pay back, and tolerant when he is paying back his creditor."[12]

The crucial question should be posed here is: when and how does the loan become one of goodness in the verse? In addition, when and how does the person become tolerant in the proverb? The answer concerning the loan is: it will be of goodness when it is free of any sort of wickedness, and, as long as there is no wickedness other than usury, so, the loan will be of wickedness when it is usurious. The answer to the other question is very simple when you think empirically in the Islamic instructions regarding transactions. Therefore, it is obvious that the tolerance of any person in transactions means that the person should be a facilitator and easy in every stipulation in the transaction notwithstanding the beneficiary of that stipulation. I mean, in other words, one party has to be easy and facilitator even though the stipulation is for the sake of the other party to the transaction or even though the stipulation was for his sake but now it is not. It is worthy to be mentioned that Islamic teachings instruct believers to be of goodness and more tolerant so as to eliminate greediness and free their behaviour from all vilifying factors. Abu Hurrayra narrated that prophet Mohamed (PBUH) said: "A Muslim would be the most tolerant in paying back loans if he paid them in excess. Prophet Mohamed (PBUH) said that, when he was paying back a bigger camel to someone who had previously lent him a smaller one."[13] So, here in this case Prophet Mohamed (PBUH) or any person in his circumstances would have thought of procrastinating the performance of his obligation. He might have done that to get some sort of compromise from the creditor in a kind of mitigation of the obligation, or at least to get back the difference of the price between the bigger camel, which he has to pay now, and the smaller camel, which has already been taken by him as a debtor. However, prophet Mohamed (PBUH) did that to teach us how tolerant (of goodness) we have to be and why.

Therefore, we have to be tolerant to get rid of greediness and to achieve well-being in our contemporary life and dwell in heaven after our death. In accordance with that, Allah said in the Quran: "So be conscious of God as much as you can, and listen, and obey, and give for your own good. He [whoever] who is protected from his stinginess—these are the prosperous."[14]. Ibn Massaud construes the word

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[11] Surat El Hadid, v.11.
[12] Al Asglani, Ahmed bin Hajar.No date. Fatah El Baree Sharh Saheeh El Bukharee, El Rayan press, pro 1970.
[13] Ibid.
[14] Surat El Taghabun, v.16.

Mohamed's mission used to trade with Romans in Summer and trade with Yemen in Winter.[18] So, it might be reasonable to say that the only transaction that can be usurious when the Quran was revealed was the loan, but even this has to be supported by the clear concept of usury, which was missed or misunderstood until the start of the drafting this paper.

In the S**urat Al Imran** Allah said: " O ye who believe! Devour not usury, doubled and multiplied; but fear Allah that ye may (really) prosper."[19] (Surat Al Imran, v 130).

In this verse Allah clarifies that in the sale of goods transaction, in which some profit is allowed to be entertained by the seller, this profit which is an interest, anyway, it must be one fold of the due charity (zakat) of the same goods or otherwise it will be usurious. So, people who would like to practice a blessed commerce have to practice it that way and to calculate their profit according to that formula.

Accordingly, this verse, contrary to what it has been said by most of the scholars who interpreted the Quran, it specialized in stating the usury provisions in the sale of goods; that is because in all the Islamic transactions other than the sale of goods the parties are not allowed to have as a consideration more than the exact lawful consideration. For example, in loans the debtor has to pay back the same amount which has already been borrowed from the creditor. Likewise, in the other kinds of contracts, no interest can be allowed to any party whatsoever. However, in the sale of goods contract the seller is allowed to have profit measured on the base of the capital that was already spent by them when they bought the goods. So, when Allah said in this verse "O ye who believe! Devour not usury, doubled and multiplied", He said it to enable us infer from this verse that Allah allowed in this verse for believers to have usury less than (doubles); because the prohibition comes when the usury is multiple doubles. In Arabic when multiple things are mentioned, the interpretation has to be: two things or more.[20] Therefore, this verse is stating provisions of usury in the sale of goods contracts; because it is the only transaction in which profit, as an excess, is allowed. Later on we will clarify how this doubles are going to be calculated and then give more details about the relation between this verse and the transaction of sale of goods.

In the **Surat Al Baqarah** Allah said: "Those who devour usury will not stand except as stand one whom the Evil one by his touch Hath driven to madness. That is because they say: "Trade is like usury," but Allah hath permitted trade and forbidden usury. Those who after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for Allah (to judge); but those who repeat (the offense) are companions of the Fire: They will abide therein (for ever) *Allah will deprive usury of all blessing, but will give increase for deeds of charity: For He loveth not creatures ungrateful and wicked. * Those who believe, and do deeds of righteousness, and

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[18] Ibid, Vol. 24, page 623.
[19] Surat Al Imran, v 130.
[20] Al Toosi, Suliman Ibn Saeed, 1987, Mukhtasar Sharh Al Rowdha, Vol. 2, Dar Al Resala, page 489.

"stinginess" in the verse as “to take your fellow's money and add it, without lawful cause, to your own property."[15] So, this interpretation gives the word "stinginess" and the word “greediness" the same meaning of "avarice" and "cupidity" in which the person does not feel overly that anyone has to keep out his belongings, but he also feels that he has the full right to access another's belongings. This sort of behaviour would be a very selfish and very disputative when others discovered it. Hence, for the legislature to maintain peaceful coexistence in the country and then the well-being of the people, good legislative policy should take into account the ban of all kinds of conduct that lead to or disclose greediness of people toward each other in the Civil Transactions Act. Some such conducts are classified as misrepresentation, cheating, exorbitant profit, profiteering and mean exploitation. Therefore, to ban certain conduct it is not necessary for it to be usurious in itself, but it is enough for such a conduct to lead to usury.

To sum up, Allah prohibits usury, to help the human community be more cooperative, peaceful and productive. So, for the human community to achieve that goal and then to fulfil its well-being, people in the community must get rid of their greediness and become very tolerant in all their transactions.

Textual Authorities of Usury

First: Quran Verses:

Allah said in **the Surat Al Room**: "that which ye lay out for increase through the property of (other) people will have no increase with Allah. But that which ye lay out for charity, seeking the countenance of Allah, (will increase): it is these who will get a recompense multiplied."[16]

In this verse which was inspired to Prophet Mohamed (PBUH) at Mecca, in the time before his immigration to Yathrip, Allah told people (believers and non-believers) that usury is very harmful and devastating to their community’s economy and will never fulfil their intention and goal of investing their money that way; because it is not going to create any additional value for their development, however, zakat (special charity) in spite of the fact that it is mere expense on their capital but it is really going to help developing their economy by creating a real support to production factors[17].

Moreover, this verse does not state the provisions of usury in loans only, but it states usury in its vast Islamic meaning which includes all mutual transactions in which usury as a non-equivalence in obligations, can be envisaged. The argument that usury in loans was the only kind of usury that had been known when the Quran was revealed is not sustained; because people in the Arab peninsula knew all kinds of transactions before Mohamed's mission and Mohamed (PBUH) himself practiced trading in all sorts of transactions. For instance, He (PBUH) sells, initiates partnership, rents and gives mortgage. Also, it is well known that Arabs before

[15] Al Hakim, Mohamed Ibn Abdllah, 1998, Al Mustadrak, Vol. 3, Dar Al Marifa, page 311.
[16] Surat El Room, v 39.
[17] Al Tabari, Mohamed Ibn JareerTafseer Al Tabari, Vol. 24, Dar Al Marif, page 623 ; ibid, vol. 20, Page 104.

establish regular prayers and regular charity, will have their reward with their Lord: on them shall be no fear, nor shall they grieve. *O ye who believe! Fear Allah, and up what remains of your demand for usury, if ye are indeed believers. * If ye do it not, Take notice of war from Allah and His Messenger. But if ye turn back, ye shall have your capital sums: Deal not unjustly, and ye shall not be dealt with unjustly. * If the debtor is in a difficulty, grant him time Till it is easy for him to repay. But if ye remit it by way of charity, that is best for you if ye only knew. * And fear the Day when ye shall be brought back to Allah. Then shall every soul be paid what it earned, none shall be dealt with unjustly."[21]

These verses were the latest to be inspired to Prophet Mohamed (PBUH) in the regulation of usury, so, this means that usury had been the first prohibition to be revealed in transactions, and also it was the latest provisions to be imposed on transactions.

The meaning of these verses is: Allah asserts that people who devour usury contrary to these regulations and because they see no difference between it and the profit in the sale of goods contract; they will not be able to look after themselves and their business properly, because they will be like insane people who cannot manage to do anything good for their business. This insanity is just one effect of dealing in usury and it is the social effect. Other effects of dealing in usury are two: one is the impact of usury on transactions, the second is the impact of usury on the public interest. The impact of usury on the transaction is to render it invalid (fasid), so when the transaction becomes free of the exorbitant excess, the transaction will become valid and no further sanction will be imposed upon the usury devourer. The impact of usury on the public interest appears when the usury devourer repeats the breach of the usury regulations by dealing in usury after they have already repented of dealing in it. Thus, the impact of usury, here, is a public interest issue; because Allah said in this case the wrong doer is going to be a companion of Fire forever. Such a penalty is usually imposed upon a person who made an assault against public interest or committed a crime. Allah continues to clarify the impact of usury by saying: dealing in usury will not fulfill the dealers' goals of making profit and developing their wealth, but in contrary, people who look after each other, by giving charity or offering help, will contribute to the enhancement of society's well-being and indirectly enhance the environment of their own investment and their personal earnings. Also, Allah said: if usury devourers (usurers) become very strong and start to threaten the state economy, the president can take every possible step to stop them from dealing and spreading dealing in usury and undermining the state economy. The president has to do so, even if that remedy leads him to launch a war against them. At the end of these verses Allah says, if usury devourer repents, they deserve to have their capital of the usurious transaction and they have to be prevented from getting any sort of interest. Moreover, repentant usurers have no right to get any sort of bail or warranties to insure paying back their capital from the other party but they

[21] Surat Al Baqarah, v. 275-281.

must wait for the debtor who is suffering financial hardship to pay back whenever it is possible for him to do so.[22]

In conclusion, Allah in these three Surats (Al Room, Al Imran, and Al Baqarah) defines usury in Islam and its impact upon public interest in (Al Room's verse). In (Al Imran's verse), Allah clarifies when the usury may affect the sale of goods transaction. In the last verse of (Al Baqarah), Allah sets the social, commercial, and criminal impact of the usurious dealing.

Second: Sunnah Proverbs:

We will discuss hereinafter five Sunnah texts as follow:

The First Sunnah Text:

"Omar Ibn El Khatab Narrated that: Prophet Mohamed (PBUH) said: "it is usury to sell gold with gold unless that deal has been finalized (haa and haa), also, it is usury to sell date with date unless that deal has been finalized (haa and haa), also, it is usury to sell oat with oat unless that deal has been finalized (haa and haa)."[23]

When this proverb was said by Prophet Mohamed (PBUH), it was not understood except by Omar Ibn El Khatab, hence, it has not been narrated by anyone of Sahaba. The reason behind this is the ambiguity of the proverb which includes the phrase (haa and haa). So, because it did not make sense for all the attendees, among whom Omar who understood the meaning of the proverb, he learned it by heart and the rest could not.

Prophet Mohamed (PBUH) himself in a later proverb clarified the ambiguity of the previous one.

The ambiguity of this proverb was clarified by Prophet Mohamed (PBUH) himself in later proverbs which were said by him. That might have happened because someone had asked him to do so or he had noticed himself the non-compliance of Sahaba with the previous proverb. Therefore, in my point of view, the subsequent proverbs have tackled the same topic in different words. So the idea of usury in these proverbs has shed more light and the ambiguity has been somewhat cleared.

The Second Sunnah Text:

"Omar Ibn El Khatab narrated:" dealing in gold with gold, silver with silver, bur with bur, oat with oat, date with date and salt with salt must be same with same, equivalent with equivalent and the considerations have to be exchanged immediately (on the spot). However, if these kinds of goods varied, people would deal as they wish but it must be an immediate deal on the spot."[24]

In this proverb Prophet Mohamed (PBUH) illustrated what he had meant by the phrase (haa and haa) when he said: "must be same with same, equivalent with equivalent and the considerations have to be exchanged immediately (on the spot)." Therefore, in this proverb Prophet Mohamed (PBUH) meant to say that in order for

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[22] Al Toosi, Suliman Ibn Saeed, ibid.

[23] Al Mawsely, Abu Yaalee Ahmed Ibn Ali, 1984, Musnad Abu Yaalee Al Mawsely, Mamoon press, Damascus (usury chapter).

[24] Muslim, Muslim Ibn El Hajaj El Niesaboury, 1996, Sahih Muslim, Ihia Al Trath El Arabi, Beirut, proverb 1583.

the transaction mentioned in the proverb not to be usurious, it must satisfy the following terms: **First,** the mutual considerations must be the same in quality and quantity. **Second**, the exchange of the mutual considerations must be executed immediately (on the spot) without any delay. **Third**, if the items of the deal turned out to be slightly or largely different in quality or quantity, the deal would not be usurious as long as the deal was executed and delivered immediately.

This clear text poses many questions the answer of which may make the usury theory that produced by Islamic scholars so far, a little bit dubious and cloudy. The questions are:

(1) Is it going to be a transaction of any known kind if someone exchanges a specific quality and quantity of gold with the same quality and the same quantity of gold on the spot? i.e you gave your gold to your counterpart and you got the gold immediately from him.

(2) Usury, being an excess of one of the parties' considerations, is that going to be available in exchanging gold with gold like what has been described in the proverb or in the question one?

(3) Why Prophet Mohamed (PBUH) stipulates the immediate delivery, even when the items of goods in the deal are different? Is that in any contradiction with the proverb in which was said: "Prophet Mohamed (PBUH) had bought food from a Jewish person to pay him later on and gave him his shield as a mortgage."?

The answer of the first question is yes in spite of the fact that the transaction there is not a sale of goods as the proverb declared expression. The intended transaction there is the exchange of goods; because the sale of goods transaction can be conducted in cash or on postponed price, and it must be an exchange between goods and money as a price and cannot be conducted between two goods as a consideration to each other. So, Prophet Mohamed (PBUH) there clarified the terms of the exchange contract and showed when it would be a usurious exchange contract. In other words, Dinars and Dirhams at the time of Prophet Mohamed (PBUH) were not manufactured as today's money, so, it is sure that when someone got a Dinar, it would not be quite equivalent to any other Dinar even if they had been coined by the same blacksmith. Thus, if someone gives another a Dinar to get in return a Dinar from him, the two Dinars would not be the same in term of the weight and the quality. Hence, the difference between those two Dinars makes the deal usurious. Although the later illustration was credible at the time of the proverb, it is not applicable today, where we do not have golden currency anymore. However, the same can be applied to the garment gold especially when a customer needs to exchange his old jewelry with new ones.

Someone might ask: is the exchange of gold with gold going to be of any benefit to any of the parties of this transaction? The answer is yes but an illustration has to be given. No person will enter any contract unless that contract satisfies his interest. So, the contract of exchange is not going to be an exception to this rule. Therefore, Prophet Mohamed (PBUH) meant to say the mutual goods in the exchange must be

equivalent to each other, so each party has to expect an equal consideration to what he has paid to the other party. Thus, if the party had got less than the expected consideration, the other party would not have been held innocent of committing a misrepresentation, cheating, fraud or at least taking advantage of the situation. In this case, the deal that has been achieved is unlawful; because the excess in one mutual consideration was obtained by greediness, so the best description of that excess then, is to be usurious excess, the description which was already given to the transaction by Prophet Mohamed (PBUH). In other words, Prophet Mohamed (PBUH) meant to say that, in order for the exchange of goods not to be usurious, the goods paid by one party has to be equal in term of quality and quantity to the goods paid by the other party and the delivery of the goods must be completed immediately without any delay. The perfect example of this transaction is conceivable when you ask someone to give you change for a 100 Dollar note. In order to achieve this deal, the other party has to give you, immediately after he has received the $100 note, ten $10 notes, twenty $5 notes or five $20 notes. In any of these cases, each of you has got $100 without any excess or deficit, but one of you got 10 notes the value of each is $10 and the other got one note whose value is $100 and the exchange of both considerations was conducted immediately, on the spot.

This transaction is not rare but it is often practiced by car dealers when accepting customers' old cars and giving them new ones and then charging them the difference.[25] It is worth mentioning that this proverb does include the rules of currency exchange which is not different from the normal rules of exchange of other kinds of goods. The emphasis of this inference was stated in a proverb narrated by Ali Ibn Abi Talip in which Prophet Mohamed (PBUH) said: "there is no difference between Dinnar and Dinnar or Dirham and Dirham, so, if someone needs to have a gold coin (wariq) he is allowed to have that by exchanging it with raw gold. Also, if someone needs to have raw gold, he is allowed to have it by exchanging it with a gold coin (wariq), but people have to make sure that the exchange is (haa and haa)."[26]

The Third Sunnah Text:

To properly explain the following proverb, we have to give an illustration to the loan transaction as it is seen by Islamic teachings.

Loan as a Transaction:

The loan is a transaction in which a person called a debtor receives (by borrowing) a sum of money from a person called a creditor so as to pay it back during or at the end of an agreed period of time.

Accordingly, the loan is a private transaction in which the debtor and the creditor deal in money and not in goods. Also, when the loan contract is entered, the lender becomes a creditor and the borrower becomes a debtor and the loan sum becomes an undue debt. So, the legal relation between the debtor and the creditor will be a

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[25] Al Khalili, Ahmed Ibn Hamad, 2003, Fatawa Al Muamalat, Dr Al Turath, Oman, p.133.
[26] Ibn Majah, Mohamed Ibn Yazeed, 1417, Sunnan Ibn Majah, Al Ma'arif liberary, proverb 2261.

personal rights relation (*in personam relation*) which is the same as the relation that is normally created when a seller and a purchaser enter a sale of goods contract in which the purchaser receives the goods and postpones the price to be paid to a certain date in the future. However, still there is a difference between the two relations because the borrower in the loan relation is not in the same situation as the purchaser in the relation to the sale of goods contract. When the borrower gets the loan, he will be suffering a financial hardship, but when the purchaser buys the goods, they, at least, will know when and how they are going to pay the price, even if they do not have the money now for a reason other than insolvency. Hence, for this difference it is unjust to impose the same legal system upon the relation between the debtor and the creditor in both transactions; because even though the creditor, on one hand, in both transactions is a solvent person or at least he is not in severe need of the money, which is going to become a debt after the contract is entered into. On the other hand, the debtor in the loan relation in contrast to the debtor in the sale of goods relations, is, supposedly, suffering a financial hardship or at least is in severe need of the money which is going to become a debt later on. So, in conclusion, it is accurate to say that all debts, generally, have to be governed by the same legal provisions but if debts are created by entering into a loan contract, the debts would be governed by different legal provisions.

There are many texts in both the Quran and Sunnah supporting the above mentioned argument. So, in the following paragraphs we will state these texts from the Quran first and then from the Sunnah.

The Loan in the Quran Verses:

Surat Al Baqarah: Allah said: “who is he that will loan to Allah a beautiful loan, which Allah will double unto his credit and multiply many times? It is Allah that giveth (you) Want or plenty, and to him shall be your return."[27]

In this verse Allah urges lenders to lend their money and promises them that if they do so, he will bless their wealth. The urging comes because the borrower has nothing to reassure the lender that they are going to pay back the loan. Hence Allah addresses this point by considering the loan is to him so He is the real borrower and not the debtor and that is very reassuring to believers, more than any other mortgage. Also, Allah defeats the greediness which may prevent lenders from giving their money to insolvent people by promising lenders not just to help them avoid loss but by blessing their money and multiplying their earnings. This methodology of enactment is, at least, realistic; because economically speaking, we need solvent people to help insolvent people so as to increase production in the community and consolidate, intuitively, peaceful coexistence among its members. This is the same notion as that of the social engineering scholars when they said that laws are likely to achieve development if they come out of the "origins of belief" of the community in which they are supposed to be applied.[28] It is enough for the believers to obey

[27] Surat Al baqarah v. 245.

[28] Mahmoud, Ahmed Shawgi, 1990, principles of law for development (theory and application), Cairo university press, page 172.

the loan provisions, to mention that those provisions were enacted by Allah who controls the people's fate.

Accordingly, the loan in this verse is neither charity nor *zakat*; because charity in terms of its sum is up to the donor's discretion, he who has the absolute freedom to decide what and how much to give away. In *zakat* also, Allah decides how much the donor has to pay and to whom he has to give the donation. However, in the loan, the creditor has to give the debtor the same amount of money which he was looking for. This difference between the three concepts justifies our notion; because in charity and *zakat* the donor will feel satisfaction, internal peace and pleasure as it is a tribute performance for him, but in the loan the creditor might feel dissatisfaction, stress, and sadness as it is mere gambling or losing money. Hence, Allah labelled the loan as "*qard*" which means in Arabic "to cut from your skin" as an expression to clarify how difficult it is for the creditor to give a sum of money as a loan to the debtor.

In **Surat Al Muzzammil** Allah said: "thy Lord doth know that thou standest forth (to prayer) nigh two-thirds of the night, or half the night, or a third of the night, and doth a party of those with thee. But Allah doth appoint night and day in due measure; He knoweth that ye are unable to keep count thereof. So He hath turned to you (in mercy): read ye, therefore, of the Qur'an as much as may be easy for you. He knoweth that there may be (some) among you in ill-health; others travelling through the land, seeking of Allah's bounty; yet others fighting in Allah's Cause, read ye, therefore, as much of the Qur'an as may be easy (for you); and establish regular Prayer and give regular Charity; and loan to Allah a beautiful loan. And whatever good ye send forth for your souls ye shall find it in Allah's Presence, - yea, better and greater, in Reward and seek ye the Grace of Allah. For Allah is oft- Forgiving, Most Merciful."[29]

In this verse, which was revealed early in Mecca's time before the immigration of Prophet Mohamed (PBUH) to Medina, Allah clarifies that this new religion is not just a religion of ceremonies but it is about living a good life as well. So, while Allah asks you to worship him during day and night, He also, asks you to work and earn money commercially or by any other lawful means. However, Allah notifies new believers that if they leave worship so as to work to earn money, the work has to be good and beautiful, and then their work will be treated by Allah as worship in itself.

In **Surat Al Maeda** Allah said: " Allah did aforetime take a covenant from the children of Israel, and we appointed twelve captains among them. And Allah said: I am with you: if ye (but) establish regular prayers, practice regular charity, believe in my apostles, honor and assist them, and loan to Allah a beautiful loan, verily I will wipe out from you your evils, and admit you to gardens with rivers flowing beneath; but if any of you, after this, resisteth faith, he hath truly wandered from the path of rectitude."[30]

In this verse Allah clarified that in previous religions such as Judaism, He asked believers to do things such as defend messengers, pray, give charity and give loans.

[29] Surat Al Muzzamil v. 20.
[30] Surat Al Maeda v. 12.

So, He promises them if they do so, He will forgive all their sins and reward them by Jannah (garden), but if they repudiate this promise, they will be considered as wandered away from Allah's Mercy, so they will end up in the hell.

In this verse the Quran is digging even deeper in the faith of the addressees in order to make sure that they will only think of how to obey Allah's orders.

In **Surat Al Hadid** Allah said: "who is he that will Loan to Allah a beautiful loan? For (Allah) will increase it manifold to his credit, and he will have (beside) a liberal Reward."[31]

In this verse Allah intended to clarify that to lend a loan is more appreciated than to just give away to charity. Also, He repeated the same meaning that he had already mentioned in Surat Al Taghabun when He said: "If ye loan to Allah, a beautiful loan, He will double it to your (credit), and He will grant you forgiveness: for Allah is Most ready to appreciate (service), Most forbearing."[32]

To sum up, Allah urges believers to deal with beautiful loans and He did not stipulate to that transaction any term other than to be beautiful. So, what is the meaning of this stipulation? When it would be existed and when the loan transaction lacks this stipulation? These questions will be dealt with later, after we state the Sunnah proverbs regarding the loan transaction.

The Loan Transaction in the Sunnah:

The First Proverb: It was narrated that Prophet Mohamed (PBUH) said: "there was a merchant used to lend people money. This merchant was mentioned by Prophet Mohamed (PBUH) because he was very easy and tolerant in getting back his debts from debtors and always when he finds someone suffering a financial hardship he might say to his clerks dismiss his debt from the book may Allah dismisses our sins. Prophet Mohamed (PBUH) said: Allah forgives all his sins just for that manner of dealing (the tolerance)."[33]

This proverb clarifies how dealings between people have to be, and also illustrates when the loan or any other transaction can be described as beautiful (of goodness). So, the goodness of the loan simply can be seen when the debtor pays back the debt without any procrastination, and also, when the creditor is tolerant of the insolvent debtor and postpones the due debt without asking for more interest, or dismisses the debt totally. For example, the creditor will not become tolerant if he postpones the due debt in consideration of getting back 2% interest per-week. Furthermore, if the solvent debtor delays the payment of the due debt, he will hold it, now, wrongfully and intolerantly. All in all, the goodness of the loan is not deemed to have an effect on just the creditor as it has been misinterpreted, but also it has an effect on the debtor as well, so both parties have to be tolerant in order to have a beautiful loan.

On the other hand, this proverb also construes the public policy issue in the loan relation which has been already stated in all loan verses in the Qur'an. Allah is the

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[31] Surat Al Hadid v. 11.
[32] Surat Al Taghabun v. 17.
[33] Al bukhari,Mohamed Ibn Ismaeel, 1986, Sahih Al Bukhari, Dar Al Rayan, proverb 1972.

ultimate sovereign in the Sharia system, this fact renders the transactions in which He is taking part, a transaction relating to public policy. So, the party's autonomy regarding such transactions is very restricted and limited, whereas there is no choice for the lender other than to wait until the creditor has become solvent and is able to pay back. Also, the creditor has only the choice of getting 0% interest on his loan notwithstanding the amount of the debt or the time of the delay. So, most of the terms governing the loan transaction were regulated by (hard and fast rules) mandatory rules. This kinds of rules are always enacted to regulate relations which involve government as a supreme authority and individuals as subjects. So, sometimes loan provisions and regulations in Sharia seems as if they govern a relation of three parties instead of just two parties, as the normal case might be. For example, all the terms governing the sale of goods contract are regulated by the provisions governing a relation purported to be initiated between two parties (the seller and the purchaser) and those parties always are individuals even if the state is one of them. But in a labour contract, daily working hours are regulated by a mandatory rule that involves the government as a third party along with the employer and the employee. So, this mode of regulation of the labour relation restricts the parties' autonomy regarding this issue i.e. they do not have any choice other than to abide by the rule governing the daily working hours. The same interpretation applies to loan provisions, because when Allah mentioned loan in all the Quran verses He said: the loan is for Allah and is not for the debtor (the borrower). Moreover, this method of stating public policy issues is not odd but it was said by Allah in a Holy proverb (Hadeeth qudosy) regarding the relation between partners with companies and partnerships and to what extent they must trust in each other. In this Holy proverb Allah said: "I will be the third party in any kind of company between two, but if one of them becomes dishonest I will quit being their partner and leave them together."[34]

It is worth mentioning here that the draft of the loan verse that way has another important implication which is the companionship of Allah in the partnership relation and in the Loan relation which emphasizes his blessings to the relation, so, his exit from that relation means withdrawal of his blessing. Also, it is obvious that blessing has to stop if the creditor repudiates the contract or breaches their promise by asking for interest, asking for early payment or refusing to excuse or to wait for the insolvent debtor. In other words, when this breach happens, the considerations of the contract (company or loan) will not be equal as it has to be. So, that means the contract is now becoming usurious. Allah is not going to sue the usurer before a court of law, but indeed He is going to withdraw His blessing from the whole deal in the meaning of the verse 276 of Surat Al Baqarah, previously mentioned.

In conclusion, this proverb clarifies how the loan can be beautiful and then not usurious. It also illustrates that the loan can be beautiful if it has been conducted tolerantly by all parties. The instruction that can be inferred from this proverb also can be read directly from another proverb in which Prophet Mohamed (PBUH) said:

[34] Abu Dawood, Suliaman Ibn Al Ashath El Sagestani, 2009, Sunan Abi Dawood, Asria Press-Lebanon, proverb 3383.

"Allah will bless a person who is tolerant if he sells, purchases, pays back debts or asks others to pay him back."[35]

The Second Proverb: "Jabir narrated: I had lent Prophet Mohamed (PBUH) a sum of money and when I came to get my money back, he paid me back the original debt and gave me an excess." [36]

In this proverb Prophet Mohamed (PBUH) clarifies that the loan can incur an interest but this interest has to be granted voluntarily by the debtor when paying the debt back and not to be stipulated by the creditor at any time. Thus, the excess in this case is not a usurious interest; because it is considered as tolerance in transactions and encouragement for people to get involved in loan transactions without fear of being exploited by greedy people.

Somebody may argue that Prophet Mohamed (PBUH) said: "if someone lends another a loan and the borrower gives him a gift or offers him a lift, he is prohibited from accepting that gift or from getting that ride."[37] The meaning of this proverb is that lift and that gift are a plain usury, so that is the reason behind that prohibition.

This argument will stand because there is no contradiction between this proverb and the proverb of Jabir. There is no contradiction because Jabir's proverb details the provisions of the loan in general; however, the last proverb is a private proverb detailing the provisions of the loan in a specific geographical zone and in a specific period of time. We are saying that because there is another proverb which was narrated for Prophet Mohamed (PBUH), in which Abi Burdah Ibn Abi Mussa said: I came to Madina and I met Abdullah Ibn Sallam where he said to me: "you are in a place in which usury is prevalent and very usual, so, if someone owes you money, and that person gave you a bunch of hay or oat as a gift, you should not take it, it is a usury."[38] Accordingly, the prohibition in the previous proverb was applicable only to Madina community and in the time of Prophet Mohamed (PBUH); hence, that was the historical and the geographical circumstances from which these provisions had come. However, how can we answer questions like: Is it your choice to enter into a loan contract? This question will be answered through the clarification of loan ruling.

Ruling on Loan:

A loan is a private mutual contract; however, it differs in term of the parties' autonomy from other mutual contracts. In other word, according to what we mentioned in the interpretation of the loan verses, and also according to the special status of the debtor and the variation between them and the status of the debtor in other transactions such as sale of goods contract where the price is postponed, the solvent prospective creditor, religiously, must lend the money needed by the debtor. This ruling means that there is an imposition on a solvent creditor but it is a discretionary imposition (Farid kefaya), so when it has been fulfilled by one or

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[35] Al bukhari, op. cit., proverb 1979.
[36] Al Shawkani, Mohamed bin Ali, 1993, Nail Al Awtar, Dar Al Hadeeth, proverb 2295.
[37] Ibid, proverb 2296.
[38] Ibid, proverb 2298.

several community members, the rest of the community will be excused from doing so. The ruling of the loan here is like the ruling of the funeral prayer (salat eljenaza), which, if it has been prayed by some Muslims, the rest of the Muslims are excused from praying it even if they are attending the funeral.(39)

The rule being a discretionary imposition means that somebody in the Muslim community must do it or otherwise the whole community must be held guilty. However, this ruling is applicable to the loan contract on the side of the creditor (lender).

The creditor is not allowed to determine the date of paying back, and also, if that date is determined by the debtor who has failed to pay back it back, the creditor must postpone the payment of the debt to a future date by which the debtor can pay back without any difficulty.

The authority for all these provisions is the notion in Islam about money and the philosophy governing its regulation in that regard. Islam does not consider holy the individual's possessions and property of wealth as capitalism does, and at the same time does not consider community interest holy to the extent that it may sacrifice individuals' own property as communism and socialism do. Islam does not adopt a notion that conciliates the opposing notions of capitalism and communism, as some Islamic scholars purported.(40) However, Islam has its own notion which sees money as for Allah, who is the owner and individuals are mere agents for him. Those agents have to comply with the agency stipulations and terms or, otherwise, their disposition will be held invalid. That is because Allah said: " Believe in Allah and His apostle, and spend (in charity) out of the (substance) whereof He has made you (agents). For those of you who believe and spend (in charity), - for them is a great Reward."(41) Also Allah said: "…give them something yourself out of the means which Allah has given to you."(42) Also, Prophet Mohamed (PBUH) clarified the limits of this agency when he said: " On the Resurrection Day no one will be called to heaven or pulled to hell unless they are questioned about their age, where they passed their youth, what they did during it, their money how they acquired and how they spent it, and how they utilized their knowledge."(43) So, people are just agents for Allah, their job is to work on the wealth during their life according to His instructions among which is to lend people money as a loan. Hence, any refusal or hesitation to do so, will be a breach of the agency contract legally and a sin religiously.

The ruling of the loan on the side of the debtor is that they are allowed to ask others to lend them money but they must pay it back as soon as they become solvent

(39) Al Garafi. Ahmed ibn Idriss. 1967. Anwar Al Boroq Fi Anwaa Al Foroq. Aalam Al Kutob. Vol. 1. Page 116.
(40) http://islamstory.com/economyinislamiccivilization/html (retrieved on 17/01/2019).
(41) Surat Al Hadid v. 7.
(42) Surat Al Nour v. 33.
(43) Gassim, Yousif, 2003, Commercial Transaction in the light of Sharia, Dubai Police Academy, page 22; http://baseera.net/uploads/pdfAl Shaikh Ahmed Al Khalili, Risalat Al Ensan Fi Al Hayat.

without any procrastination. The authority of this ruling is the proverb of Prophet Mohamed (PBUH) in which he said: "Procrastination of payment from the rich person is a mere unjust behavior; hence the doer deserves to be punished."[44]

Ruling Documentation of the Loan and the Security of Payment:

Whenever debt is created, the creditor normally asks for warranties, mortgage or any other security to ensure future payment of the debt, in addition to the ordinary documentation. However, in regard to loan contracts, before or after entering into, the creditor is not allowed to ask for any sort of security for payment other than the ordinary documentation. This difference results from the different nature of the loan which is a duty (imposition) and has to be discharged by one of the community members, as we clarified above, but other debts are subject to the parties' autonomy, so it is up to the community member to enter the contract creating the debt or not or entering that contract after he has got a mortgage or any other security of payment or none of that would apply. This difference was practiced by Prophet Mohamed (PBUH) on a variety of occasions, one of which we have already mentioned when we stated that the Prophet Mohamed (PBUH) bought food with a postponed price from a Jewish merchant and gave him his shield as a mortgage." Notice that here the debt was created in the course of the sale of goods contract. Also we have mentioned that Prophet Mohamed (PBUH) had borrowed a sum of money from Jabir, so, later on when Jabir asked him to pay back, he paid back the debt excessively." It has not mentioned in the Sunnah or the Quran that the lender of the loan may get a security for payment. Furthermore, in debt verse in Surat Al Baqarah Allah said clearly that debts have to be documented in writing if there is a competent writer and witnesses, but when debt is created in the course of trade practices, it is allowed to be documented by a mortgage. Therefore, the last ruling of the documentation (mortgage) is an exception in that verse, which we must interpret narrowly and literally in a manner that does not include debts, created from loans.

Somebody may object that loan might be created by way of trade as well. For instance, a wealthy person, instead of liquidating his assets, would go to his friend to borrow a sum of money to finance his due deal. What is wrong if the lender asks for security or mortgage? The answer is that there is nothing wrong with that, but that is not a loan, it is a practice of investment and trading, so, it is allowed for the lender to have a mortgage. The affirmation of that is in the same verse when Allah said: “unless it is a trade that you manage between you…"[45] So, it is not essential for the management of trade to be conducted by selling or purchasing, rather it can be conducted by lending money or things or borrowing them.

It is worth mentioning here that the concept of: "the loan is a duty imposed upon lenders for the sake of borrowers, is similar to the concept of the social liability of

[44] Al Darami, Abdullah Ibn Abdurrahman Al Tameemi, 1987, Sunan Al Darami, Dar Al Kitap Al Arabi, proverb 2586.
[45] Surat Al Baqarah v. 282.

companies which is well known and practiced in western legal jurisprudence and culture.(46)

The Third Sunnah Text: Usury in the Sale of Goods Contracts:

The sale of goods contract is an agreement by which one party (the seller) exchanges goods or services in consideration of (price) money, which the other party (purchaser) has to pay. Usury can affect the sale of goods contract, in which the parties always seek a better deal, i.e. the deal that serves their interest better. So, usury being a non-equivalence in the mutual obligations can result from many causes in regard to this contract. It is difficult to state all those causes in this research paper but we are going to highlight the most prominent ones that will make usury in this contract easy to be diagnosed.

First of all, a false statement in negotiations often produces many usurious deals; because a false statement is the main factor in misrepresentation and cheating, which render the price either cheaper or higher than it has to be. Thus, the seller might feel at the end of the day that he has received the goods for less than its reasonable price. Also, the purchaser might feel that he has paid more than the reasonable price if he was affected by the misrepresentation. Therefore, in both cases the usury infected the contract; because there was no equivalence between the parties' obligations. The same provisions were stated by Prophet Mohamed (PBUH) when he said: "The parties in the sale of goods contract, during the negotiation stage of that contract have the choice of terminating any agreement they entered into before leaving the negotiation table. So, if they negotiate their deal in good faith, credibility and transparency, Allah will bless them and their concluded deal. However, if they negotiate in bad faith, telling lies or concealing substantial information, Allah will deprive their deal of all blessing."(47) It is worth mentioning here that the undue influence falls into this category, e.g. if a manager bought goods from an employee for less than its normal price, the contract then might be usurious, by virtue of the undue influence.

Second, Prophet Mohamed (PBUH) also mentioned numerous cases which are usurious sale of goods contracts. In spite of the fact that He did not say that explicitly, one can understand that by inference from the final result which is usurious. So, in the sale of Musarrah, the contract is forbidden because there is a wrong belief in the buyer's mind which results from the misrepresentation which shows the goat as if it produces lots of milk. Likewise, Prophet Mohamed (PBUH) also prohibited some sale of goods contracts for the same reason, some of which are the sale of Mulamassa, the sale of Munabaza, the sale of Najash, the sale of Muhakala and the sale of Talagi Al Rukban.(48)

Third, Prophet Mohamed (PBUH) prohibited some activities which are not considered a sale of goods directly and in themselves, but they are considered

(46)http://www.indonesiacompanylaw.com/2012/04/26/corporate-social-responsibility-by-limited-liability-companies/
(47) Al Bukhari, op. cit., Pr. 1979.
(48) Ibid.

essential pre-requisites for the sale of goods contract so as to achieve its usurious end, which is the exorbitant price. One of those activities is monopoly. So, monopoly was prohibited because merchants, by utilizing it increase the demand for the goods then the prices will accordingly go up.(49)

Finally, sometimes the parties of the sale of goods contract might intend to enter into a different prohibited contract such as a usurious loan, so, in order not to get caught as usurers, they would conduct their contract as a sale of goods contract. For example, (A) offers to sell his car to (Z) for USD $20,000 after (Z) has agreed to pay, (A) offers again to buy the car from (Z) for USD $22000, to be paid after six months. So, in this example, in spite of the fact that A and Z entered into two sales of goods contracts, the real deal between them was a usurious loan contract; because A has got a loan of USD $ 20,000 for six months with 10% interest.(50) This kind of transaction in Sharia is called the Sale of E'ena.(51)

In conclusion, the sale of goods contract is the most prevalent contract in daily life. Although usury often affects the price of goods, the means normally utilized by the usurer differ from one case to another. So, the causes of usury in the sale of goods contract are less important than the occurrence of the exorbitant price itself; because that is the main factor which renders the contract usurious, even if there was no malicious cause for that excess (the usurious excess), as we will see when we discuss the limit of the prohibited excess later.

The Fourth Sunnah Text: the Usurious Company Contract:

Company contract in Sharia, as in any other legal system, has to be based on the principle of equal sharing of losses and profits. So, if this base is imbalanced, then usury might be present in the transaction. For example, a partner might stipulate that he/she will take part of a specific firm if other partners agree to give him 50% of any profit and to be exempted from 75% of any loss, while his share was same as the rest of the partners. This partner has held the highest rate of profit and got the lowest share of any loss usuriously, because it is unjust earnings anyway. One of Sahaba narrated that Prophet Mohamed (PBUH) said: "Allah said: I will be the third partner of any two partners (shareholders), however, if one of them has done any dishonesty, I will leave them together and give up taking part in their company."(52) This proverb clarifies the existence of usury in companies, firms and partnership contracts; because the companionship of Allah in any activity means that the activity is blessed by Him, so, when Allah said that "He is going to leave partners together…" that means He is going to deprive their activity of any blessings. Empirically, it was proved that no commercial activity can be deprived of the blessing of Allah unless it is usurious. In conclusion, the partners in any kind of company must distribute the profits and losses according to an equation proportionate to their shares. Hence, the

(49) Al Hakim, Mohamed Ibn Abdullah, op. cit., proverb 2208.
(50) Ibn Katheer, Ismaeel Ibn Omar, 2002, Tafseer Al Quran Al Azeem, Vol. 1, Dar Tayba, page 710.
(51) Ibid.
(52) Abu Dawood, op. cit., proverb 3383.

profits of the shareholders would be usurious, if that equation was imbalanced or disturbed.

The Fifth Sunnah Text: Usury on the Hiring (Rent, Lease and Labour) Contracts:

Hiring contracts are contracts that involve selling benefits (services) of bodies of human beings, such as labourers and professionals, or selling benefits (services) of things such as houses, offices and cars. In Sharia the equivalence between the services rendered and the due rent (wage, salary or charge) is essential and crucial, where it has to be balanced in every phase. i.e. a labourer working in packing fruit where the normal labourer gets $50 USD per 8 hours, the labour contract will be imbalanced if the employee agrees to have $ 25 USD per 8 hours. Also, if the job can be done by any professional for $150 USD, it will be an imbalanced contract if the professional asks for $300 or 200 USD. So, the excess in the obligation of any party will be unjust, therefore it is a usurious excess. Sometimes the usurious excess might exist even in balanced contracts during the discharge time of the obligations. For instance, the labourer might not perform the work as it has to be or the employer might delay the payment of the wages for an unreasonable period of time. Prophet Mohamed (PBUH) said: "I will be the opponent of whoever hired someone and after he got his services, he refused to give him his rent (wage, charge or salary)".[53] Also, Prophet Mohamed (PBUH) said: "Employers have to give employees their wages immediately after they have finished the agreed work and before they leave the workplace".[54] In other words, the effect of the non-compliance with the provisions of these two proverbs will render the hiring contract usurious. This result has not been declared before by Sharia scholars. In conclusion, usury might affect the hiring contracts if the obligations of the employer and the employee were imbalanced. The imbalance usually comes from the greediness of the employer or the dishonesty of the laborer.

The Sixth Sunnah Text: the Usurious Marriage Contract:

The marriage contract is the only contract in which all the Islamic scholars by consensus declared that the parties to it (husband and wife) have to be equivalent to each other or the contract will be held invalid. However, Islamic scholars adopt different notions about the criteria of that equivalence. In my opinion, the concern of Islamic scholars about the equivalent parties in the marriage contract comes from their keenness to help people in the Muslim community to enter a balanced marriage contract. So, lots of efforts have been exerted by the scholars in this regard; because those scholars know that if this issue is left without a good solution, then the efforts of the community to avoid the effects of the imbalanced marriage will be doubled many times. Also, that efforts will raise the awareness of the community to the seriousness of the equivalence of parties in marriage, so that will help them and their families to investigate the issue thoroughly and to have the proposal terminated

[53] El Bayhagy, Ahmed bin Ali bin El Hussain bin Mussa, 2003, El Sunnan El Kubra, proverb 984.
[54] Ibn Majah, op. cit., proverb 817.

before it is too late, or enter the marriage contract and both parties know each other very well. Dealing with the imbalance issue in this very early stage of the contract will help the parties and their families avoid many difficulties that might arise if they have just entered into the contract without proper investigation. Thus, the proposed party to the marriage contract may disguise his suitability to the other party (as a partner in the marriage contract), so, if the contract is entered into and the reality is discovered, then the cost of either continuing this contract or quitting it, will be very high. That is what was meant by Prophet Mohamed (PBUH) when he said: "Usury is seventy-three kinds the least of which resembles the sin of someone who commits adultery with his mother, and the most vicious usury is the one that has been concluded by disguising a fake reputation"[55]. In this proverb notice has to be given to three hints. First, the total types of usury are much more than the scholars think so far. Second, usury does not have mere economic impacts, but it can have, in the meantime, social effects much more obvious than the economical ones. Third, the most usurious contract is the contract that is obtained by faking a good reputation to convince others to enter into a mutual contract (such as the marriage contract).

After we have clarified so far, the definition of usury, its rationale, its kinds and the analysis of the transactions affected by it, it is time to specify the limit of the excess which infects the contract by usury, so as to be able to study some contemporary Islamic transactions on the ground of the comprehensive theory of usury in Sharia.

Limit of the Usurious Excess in Mutual Contracts:

Many concepts are mixed and confused with usurious excess. Usurious excess in mutual contracts sometimes might be labelled as a charge, fees, premium, profit, or commission, but that change in the name does not affect its nature as a usurious excess. The rule of thumb in the interpretation of contracts is: "the consideration has to be given to the parties' intention"[56]. Hence, the words of the contract and the phrases comprising its terms are less important when it comes to the meaning of the contract and its effect. So, if we get to know what the permitted excess is, and how it can be calculated, the difference between the usurious excess and the other terms will be obvious. In other words, it will be easy for anyone to recognize the usurious excess even if it is given another terminology.

In the loan, hiring, company, partnership, marriage and exchange of goods contracts the excess has to be zero percent. For example, in the loan contract, the obligation of the lender has to be equal to the obligation of the borrower, so any excess in any party's obligation over the other will be considered as a usurious excess. Thus, this is the rule which governs the usurious excess in all the above mentioned contracts. However, in the sale of goods contract the situation is not as clear as in the rest of the mutual contracts, because this contract, by its very nature,

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[55] Al Hakim, op. cit., proverb 2306.

[56] Poole, Jill, Textbook on Contract Law, 2012, Oxford University Press, page 223; Chartbrook & Persimmon Case [2009].

involves an excess which is the profit. So, how can we differentiate between usurious excess and permissible profit?

The answer is: profit is an excess which is specified by the legislature (Allah), but usurious excess is an excess which is normally specified by the parties to the contracts and therefore it is usually inaccurate in its rate and limit which is left, somewhat, to the parties' autonomy. The usurious excess in the sale of goods contract is very evident if we get to know the governing authority, and how much is the permissible profit accordingly. Hence, the evaluation of the usurious excess in the sale of goods contracts is governed by a different rule from the rest of the mutual contracts. Sometimes usurious excess might be mixed with profit, due to the ambiguity of that rule or the ignorance of it by some laymen. So, light has to be shed on the rule specifying the profit on sale of goods contracts, in order to clarify its usurious excess and its limit.

As we have already mentioned, profit is an excess specified by the legislature in Sharia. That is because Allah said in the Quran: "O ye who believe! Eat not up to your property among yourselves in vanities: But let there be amongst you Traffic and trade by mutual good-will: Nor kill (or destroy) yourselves: for verily Allah hath been to you Most Merciful"[57]. In this verse, Allah apparently clarifies the general rule of the usurious excess and meanwhile puts the exception of profit as an excess anyway. Allah prohibits obtaining the money of others without lawful justification; because it is going to be unjust earning for the beneficiary, but he excludes that unjust earning if it is acquired by virtue of dealing in the sale of goods contracts consensually as profit. The Profit in sale of goods contract is originally prohibited, however, it is allowed as an exception. According to this interpretation, the exceptional rule of law has to be restricted whereas to be applicable on a specific meaning or a case which contradicts the general rule or the original maxim. Is this the case with the provisions inferred from this verse?

The answer is yes; because the word “trade” in the verse points to the sale of goods contract; because it was described as consensual trade. In other words, When Allah mentioned the word “trade” in this verse, he meant mutual contracts among trade activities but because we know from other sources that the excess is not allowed in other mutual contracts, the meaning of the mutual contract intended here must be minimized so as to refer only to the sale of goods contract. However, there is still one more restriction needed for the exception here to be logically understood. The other restriction is the limit of the excess permitted (the profit limit) in a sale of goods contract. So, when may we describe the excess in the obligations of the parties in a sale of goods contract as a profit, and when may we describe it as a usurious excess?

The answer to this question will be clear if we get to know the interpretation of the previously mentioned verse in which Allah said: "O ye who believe! Devour not usury, doubled and multiplied; but fear Allah that ye may (really) prosper."[58] In this

[57] Surat Al Nissa'a, v. 29.
[58] Surat Al Imran v. 130.

verse Allah says frankly that a (double) of riba (excess) is permitted. In other words, Allah says that the prohibited riba (excess) is the one that more than double the permitted excess. So, in this verse Allah was talking about the sale of goods contracts and was not talking about any other transaction which may not be conceivable to include an excess of any kind; because all other contracts as we have seen before, allow zero percent excess but the sale of goods contract in contrary allows an excess. Then in this verse the above mentioned question so far has been answered partially; because we still have to illustrate the proportion to which Allah has ascribed the double in that verse.

As we mentioned, previously, that Allah whenever mentions usury, He mentions along with charity (zakat), so, what is the reason that can justify this style of drafting which seems as a kind of repetition anyway? Simply, Allah wants to link charity (zakat) with usury for two purposes. The first purpose is to clarify the rationale behind the prevention of usury which is, as we mentioned before, the elimination of greediness from the humanitarian community. Greediness, as we clarified, starts to appear when there is no donation of charity (zakat). Also, we clarified previously that Abdullah Ibn Masaud narrated that Prophet Mohamed (PBUH) said:" whoever donates charity, will never be described as a greedy person"[59]. Hence, the person who allows himself to make a profit in sale of goods contract more than double the rate of charity of the sold goods, his profit deserves to be described as greediness; because if they got three times the rate of charity (zakat), they would indirectly get back beforehand any charity (zakat) that they have to pay in the future. So, that is one way of eating others' earnings without lawful justification. Also, the seller in this regard will hamper the buyer's ability to add any more excess whatsoever; because the goods will become unaffordable by virtue of the inflation of its price. The second purpose is to put a rule for calculating the usurious excess so as to be identified by a clear limit. We mentioned above, that the seller is allowed to get profit, which is an excess, and meanwhile he has to pay a charity (zakat) for the same goods, which is an apparent deficit. So, the reasonable limit of the profit must be calculated in an equation that makes the profit be seen as a real earning. I.e. the profit that is not likely to be consumed by the charity (zakat) donation. Moreover, the profit should not be exorbitant but it has to be allowed to the extent that would not cause an inflation in the price of goods - the effect that might happen also by virtue of reselling the goods time and time again. That equation is: profit has to be calculated in its maximum as double the charity rate for the same goods. For instance, if a seller makes a profit equal to three times the charity rate (7.5%) that means they get back beforehand the (zakat) charity which they have to pay after a year from now. So, the sellers who earn profit more than the rate allowed, deserve to be labelled as greedy people; the description that classifies their earnings therefore as usurious profit. The

[59] Al Tabarani, Suliaman Ibn Ahmed Ibn Ayoup, 1997, Al Mogam Al Sakeer, Dar Al Fikr, page210; Al Maqdisi, Mohamed Ibn Moflih Ibn Mohamed, No date, Al Adap Al Shareeya and Al Menah, page 303;
http://articles.islamweb.net/media/index.php?id=10254&lang=A&page=article

same result (doubling of the profit over twice the charity rate) will also be attained if the goods were sold without necessity to more than one retailer. Every retailer would put his maximum entitled profit, so, when the goods reach the consumer, their price will be very exorbitant and onerous, as we said before, by virtue of the repetitive doubling of the just profit which was put by the consecutive sellers. Another argument that can be put forward to illustrate the usuriousness of the profit in the last example is: that monopoly is forbidden in Sharia; because it prevents goods from reaching the consumer or delays those goods from reaching them, with the intention of increasing the demand and then the price of these goods. This monopoly, conventionally happens when individual traders dry the market of specific goods by storing them, hiding them or stopping importing them. Also, in the Islamic community when wholesale traders bought goods from another wholesale trader, he must have known that this activity would not serve any interest apart from his own; rather the wholesale trader must have known that will damage the community interest; because it causes inflation and speeds up the deterioration of the national currency. So, this kind of commercial activity has to be prohibited; because it is in contrary to the rule of Sharia which says: "avoidance of damaging and harmful things is a good excuse for preventing an activity which is not going to do other than a mere interest."[60] Also there is another rule in Sharia says: "public interest is privileged and advanced, so it has to be satisfied even if its satisfaction sacrifices individuals' interest."[61] Hence, reselling goods that way should be prohibited notwithstanding the validity of the profit; because it directly harms public interest. On the other hand, logically we have to give every new case the same ruling as the previous case if the two cases share the same rationale or the same associate abstract. Given the fact that repetitive reselling is obviously done on purpose to attain profit and neglects the interest of the community, the seller in this hypothesis deserves to be described as a greedy person in the same meaning which we have illustrated previously. Hence, the profit which is permitted (exceptionally) by Surat Al Baqarah becomes prohibited by virtue of the damage and the harm that it will cause if it remains permissible.

Someone might say it is not clear why the profit has to be limited? Simply the answer is because it is an exception as we have said before, so, if it is left without restrictions and limits, it would not be an exception and sellers may be allowed to decide whatever amount of profit they like to get and to practice whatever makes their trade booming. For example, if there is no limit on profit, it will be permissible for merchants to get 100 percent or more profit on their merchandises or they can monopolize goods for the purpose of raising their prices to their satisfaction. So, to protect the community from merchants' greediness and to curb the bad effect of these trading conducts and practices, the sale of goods contract is allowed not to satisfy the greedy needs but to eliminate them totally from the community members. Now

[60] http://abusalmandeyauddeeneberle.wordpress.com/summary-of-legal-maxims-of-islamic-jurisprudence/

[61] Ibid.

it becomes clear enough why the sale of goods contract is an exceptional transaction, and when it would be permitted and how we could calculate the permissible profit.

To sum up, profit will be usurious if it exceeds double the maximum limit of the charity (zakat) rate of the same goods. The profit, accordingly, can be calculated in commodities as two times two point five percent (2*2.5%=5%).

Why Does the Regulation of Sale of Goods Contracts Come That Way?

The answer to this question shows the exact wicked effect of usury and also sheds more light on the rationale behind its prevention. So, there are two reasons to justify that way of regulation.

First, to enable consumers to be linked easily with producers and satisfy their needs in obtaining reasonable prices. Consumers normally located in areas different from producers' areas. So, for producers to have their commodities sold, they have to be linked by a trading body with consumers. The relation between the trading body and the producer may be an agency relation, or a sale of goods relation, but the relation between the trading body and the consumers is always a sale of goods relation. So, this way the consumers will be able to get their needs at the producer prices or at least at reasonable prices, because the link was very short which involves only three stages (producer-dealer-consumer). Although the shortage of that link serves the consumer's interest, also the producer indirectly benefits from it; because the reasonability of the prices keeps the demand in the normal range which means stability in the production rate and sustainability in the supply of goods. This result is not going to be only a private benefit for the producers; rather, it serves the public interest also by its positive impact upon whole community economy by virtue of the inflation rate stability.

Second, sale of goods contract was regulated in that manner, to protect the economy from inflation. If we stuck to the exceptionality of the profit in the sale of goods contracts, we would understand why we must get it at that rate, and why we have to practice it in limited occasions. In other words, the economic cycle in Sharia has to be very short from the start of production and pass through only one link to reach its final destination which is the consumers. Sharia sees trading activities as not true-born activities in the Islamic economic system, however it permits trading activities that involve the sale of goods, agency or brokering exceptionally. Therefore, they have to be practiced in a very restricted way. In the secular economy, the cycle is the same (production, trading, and consumption) but all its stages are genuine, so, there is no problem for each stage to be multiplied. Accordingly, in Sharia, especially if this new theory of usury is adopted, the economy will never suffer a high rate of inflation. That is because the prices will remain stable by virtue of the application of the usurious excess calculation mechanism and also as a direct impact on the restriction of (stage two) in the economic cycle (the trading/ distribution stage). In other words, the impact of these procedures will curb prices in an affordable range, the issue which may stimulate the demand naturally and in the meantime will protect the purchasing power of the currency from any deterioration. Furthermore, the Sharia methodology of managing wealth is colored

by a very important maxim which is read: (*Adam Al Israf Wa Al Tabzeer*). This maxim means: NO REDUNDANCY PERMITTED. Accordingly, the validity of any commercial activity must be tested against this maxim. It is worth to be mentioned here that the prohibition of any redundant activities is not a mere legislative task that has to be performed by issuing an ordinance, but it is a divine imposition that every member in the Muslim community must comply with. Therefore, all Muslims are not expected to produce or consume goods more than they need. Hence, the regulation of the sale of goods contract in Quran and Sunnah is well orchestrated with these principle features of the Islamic system.

It is worth mentioning that the pricing of goods in Sharia is not something that can be arranged by an authoritative decision; rather it is an automatic result of the application of the usurious excess calculation mechanism. So, that was the reason behind the refusal of Prophet Mohamed (PBUH) when someone asked him to price goods for people. Prophet Mohamed (PBUH) said: "To price goods is not my job; it is Allah's own decision. So, I would not do it; because I want to meet Allah on the Resurrection Day where no one of you will have a complaint against an unjust action that has been done by me to him."[(62)] Prophet Mohamed (PBUH) said this proverb not to prove that the Islamic market is free, rather he said it to show in a precise way that Allah has already done the pricing by limiting the maximum rate of the profit. So, trading people have to decide, what is the just price; because they are the only people who know the actual capital of their goods. So, it is up to them, either to tell the truth and have the just profit and then the blessing of Allah, or to conceal the truth and have an exorbitant price and then Allah will deprive their deals of any blessing. Thus, if these provisions are known for the Muslims' community, we will find the vast majority of that community complying with it and that will automatically curb the steady rise of the price curve and put an end to inflation as well.

In conclusion, the enactment of the rules of usury generally and in the sale of goods specifically, is one way that purifies the Sharia provisions from any doubt of contradiction and makes it evident that Sharia has its own economic features which are different from any other known economic notion and not a hybrid one of any.

Contemporary Islamic Transactions:

Here we will shed light on some contemporary Islamic transactions; because they are the most striking transactions in daily life and also because the practice regarding them has been affected by the misconception of the theory of usury, on the one hand, and the misconception of the nature of these transactions. So, to clarify these two points we will discuss Murabaha, Mudharaba, instalment sale and Bank transactions.

Murabaha:

Murabaha is defined as a sale of goods transaction in which the seller has agreed beforehand with the buyer on the profit that he has to get when goods are brought by him.[(63)] So, in this definition Murabaha is usually conducted when specific

[(62)] Abu Dawood, op. cit., proverb 3450.
[(63)] Gasim, op. cit., p.232-244.

commodities are needed but have not been acquired by the seller yet. Therefore, we would find its practice in the international sale of goods in which there is a big risk of dealing either with the buyer who, you do not know if he is going to pay or not, or with the seller, who you do not know if he will supply the perfect goods agreed upon or not. So, to eliminate this risk a suitable intermediary will be involved in this transaction to buy the goods himself and then re-sell them to the buyer. Also, sometime Murabaha might be useful in the national market where the buyer cannot afford the price of the goods immediately, so the buyer might look for an intermediary to buy the goods himself and re-sell them to him on the basis of a postponed price or instalment price. Although the intermediary in both cases can be a natural person (an individual), a corporation or a bank, the latter is the most usual intermediary in Murabaha especially in the field of international trade. So, it can be envisaged that Murabaha can be sought by a buyer who is willing to pay immediately after receiving the goods or a buyer who is asking for a postponed payment or an instalment payment. It is worth mentioning that Murabaha is considered as a normal sale of goods contract if it is agreed upon while the goods are in the seller's possession. To put it in short Murabaha is a term which is normally put on the sale of goods contract to realize a specific effect, so, Murabaha is not a transaction in itself, rather it is a criterion by which the price will be assessed for specified goods agreed upon by parties of the sale of goods contract.

Accordingly, the profit in Murabaha must be calculated as normal profit in the sale of good contracts generally, so the seller in Murabaha is not allowed to get more than 5% profit on commodities from the buyer who ordered the commodities to be brought for him. Although the seller in Murabaha may assess the profit on the basis of the original price of the commodities and any further expenses spent before the delivery, it is not allowed for him to calculate those expenses as an additional percentage of the profit. For instance, if the buyer asks a bank to buy for him a car by Murabaha and the bank agreed on 5% profit term, the bank must calculate the capital of the car as the sum of the original price, the freight, the insurance and the custom and then gets 5% of the total sum on top of it to come up with the total price that has to be paid by the buyer. However, if the bank in the last example gets 6% or more as a profit or gets 5% profit per annum, the transaction therefore will be usurious; because the profit will be more than double the maximum permissible rate.

The practice in some Islamic banks,[64] runs with the second example; because (in regard to the Murabaha in cars) the bank often asks the customer to bring a pro forma invoice then the bank will finance the car for a maximum period of four years on the basis of 7% profit per annum. So, if the price in the pro forma invoice was SGP 35000, the price that will be paid by the purchaser to the bank would be 35000*28%+35000=44800 SGP. Therefore, this transaction was usurious from two sides. One usurious side is 7% is an exorbitant profit; because it is more than the maximum permissible rate. The other usurious side is the accumulation of the profit

[64] Sudanese Islamic banks, especially Al Salam Bank, Omdurman National Bank and Faisal Islamic Bank 2016-2017

on the basis of the period of delay. The transaction now is usurious because, on one hand, the bank has got profit only for the lapse of time which is a usurious loan anyway, and on the other hand the accumulation of the profit for four years inflated its rate to 28%. So, in all cases the price of the goods that has been sold by Murabaha will be very onerous and exorbitant in a way that urges sellers in Murabaha to prefer it over other productive activities and meanwhile the buyer will be left economically paralyzed; because that exorbitant price will consume all the savings in their hands and therefore they might simply lose their desire to work enthusiastically and creatively. So the loser at the end of the day will be the whole community the guardian of the public interest. So, again we have to remind readers of what we said earlier, that usury was not prohibited for itself but rather it was prohibited for its harmful social effects.

To sum up, Murabaha being a sale of goods contract does not allow vendors to get more profit than is permitted in any sale of good contract, so, if any profit more than 5% is obtained by the vendor, it might be therefore, usurious excess.

The Impact of Instalment Plans on the Sale of Goods Contracts:

Sale of goods by instalment plan is a normal sale of goods contract in which the price is postponed and divided into equal instalments so as to be paid on regular fixed dates in the future. This kind of sale of goods is usually practiced by individuals but also might be practiced by corporations initiated especially for this purpose. In this contract, the capital of the goods might be increased by virtue of the managerial expenses which relate to the management of the corporation itself and its activities of debt collection and dispute resolution administration. Hence, the impact of the instalment plan will be seen as an increase in the price of the goods by virtue of these additional expenses, so the excess of the price here is not a usurious excess.

In practice there are many Islamic companies active in this kind of sale of goods contract. They normally have multi prices for the same commodities. For example, you would find a car in the instalment company's showroom with a panel stating the following words in writing:

Price in cash $35000 USD

Price divided into twelve monthly instalments, $37000 USD. (3084 monthly*12)

Price when the deposit is 20% in cash and the rest divided into twelve instalments is 38000 (7800 cash + 2616. 7monthly*12)

Price when the deposit is 20% in cash and the rest is divided into 36 monthly instalments is 50000 (10000 in cash+1111 monthly * 36)

In this example, any excess obtained over the sum of 37000 which discloses the extra expenses over the normal sale of goods, will be considered as usurious excess; because it is merely obtained in consideration of the lapse of time and not to cover real expenses.

Someone might say that all Islamic scholars are agreed that any delay in the consideration must be compensated by an excess in the price.[65] In spite of the fact

[65] Gasim, op. cit., p.111.

that the vast majority of Islamic scholars agree on it, this rule is invalid and does not represent the real Sharia ruling, because those scholars do not get the right meaning of the usury verses and proverbs which were clarified in the very beginning of this research. So, the views of those scholars, whoever they were, will never restrict the general provisions of Sharia and also will never be capable of validating whatever is prohibited by verses of the Quran or the proverbs of Prophet Mohamed (PBUH). The sale of goods is an exceptional contract in which profit was ratified as an exception for the rule prohibiting the usurious excess, so any wide interpretation of that exception ought to be held unacceptable in this regard, simply because it will create a contradiction in the system.

In conclusion, the instalment plan, in itself, in the sale of goods contracts does not affect the rate of the profit which always has to remain 5%, no matter what the number of the instalments are or the period of the deferring payment is.

Mudharaba

Mudharaba is a kind of partnership in which one of the partners has to provide the money and the other has to invest that money in a specific trade or activity for a limited period of time, at the end of which the partners have to share any profit or loss according to a proportion agreed upon beforehand.

When the Mudharaba deals with individuals, usury may not be involved, however, when the investor partner is an Islamic bank and the money provider partner is an individual, the usury will be evident at the time of the Mudharaba liquidation; because at that time the money provider might find himself getting just 25% percent of the profit while the bank has contracted to give them 50% of the profit. The bank mostly justifies the decrease in the profit proportion by providing the following calculation:

2.5 % charities (zakat);
10% taxes;
5% facilitations;
5% bank commissions;
2.5% administrative fees.

Obviously the Islamic bank as an investor has got 50% of the net profit of the Mudharaba in spite of the fact that it has just got 25% of the gross income as investment expenses (above mentioned), and the money provider got 37.5%, because this is the 50% already have agreed upon. So the sum remains in the bank as its share of the profit will be 37. 5%. Therefore, the total profit of the Islamic bank will be 62. 5%. Accordingly, there is a usurious excess equal to 12.5%. This situation would not have happened if the Islamic bank had charged the gross income, the charity and the taxes only; because the facilitation, the bank commissions and the administrative fees were spent for the execution of the core of its job, so, why does it deserve 50% of the profit in the first place?

In conclusion, when liquidating the Mudharaba that way, the Islamic bank is not really dealing equivalently with the money provider and the difference between the

share of profit it has got and the share of profit it had already agreed upon, is merely a usurious excess which has to be prohibited.

Bank Transactions

Banks perform many kinds of transactions which are described as bank transactions or operations. In this research paper we are not going to discuss all those kinds of transactions, rather we are going to discuss only the issuance of letters of credit and money transfer.

In regard to the issuance of letters of credit, the local bank actually works as a bailor for a buyer before the seller, in order to reassure the later that the payment will be full and in time, and also, to guarantee the perfect delivery of the goods agreed upon. So, it is a bail contract which can be done in consideration of a reasonable sum of money as a charge. Also, it is permissible for the bailor to get a guarantee from the bail seeker before the issuance of the letter of credit; because it is a commercial activity for which it can get a commission. However, it is usurious for the bank to get any sort of interest for the period between the issuance of letter of credit and the delivery of the goods by the buyer; because that period is the essence of the bail contract. Sometimes the bank might not get the money immediately after the delivery. In such a case, the transaction will no longer be described as a letter of credit, but it will be a loan contract. In other words, from the time of the delivery of the goods documents, the relation between the bank and the buyer will change to be a relation between lender and borrower. Therefore, the provisions of the usury in the loan contracts have to be applied.

The same ruling applies to the money which is transferred between banks either nationally or internationally; because the bank here is providing a service for which it deserves a commission. This commission is sometimes called charge or fees.

Furthermore, what we have just said about the letters of credit and the money transfer, is true also in regard to credit cards transactions during the period of 0% of interest charge; because the fees that are charged by the card issuer will be in consideration of the trust given in the market to the card holder and not for the borrowing of the money spent by him. The ruling would have been different if that charge varies depending on the money spent or the total sum of purchases. Notice has to be given that, in order for the credit card fees to get that ruling, it must be unified for all card holders and not exorbitant.

All in all, when the bank is providing banking services, such as opening accounts, issuing letters of credit or transferring money, the charges that might be obtained from the client would not be a usurious excess. However, when the bank is involved in a commercial trade or is investing customers' money in such as Murabaha, Musharaka or Mudharaba, any charge might be gotten for the services rendered, will be usurious excess.

Impact of Usury on Transactions:

The impact of usury appears in two ways, one of which is civil impact which affects just the transaction between the parties of the usurious contract, and the other

impact is criminal sanctions that will be imposed upon the offender (the usurer). Each of these impacts has its own ramifications which should be clarified in detail.

The civil impact of usury upon the contract appears in two ways, one of which relates to the validity of the contract itself and the other way is the administration of the effects of the usurious contract after it has been entered. In regard to the validity of the transaction, the contract will become invalid, i.e. it would not be held null and void; rather it will be just voidable for the sake of whomever that void ability has been decided. This impact in Sharia is the same as the impact of usury in the law especially in regard to the *laesio (injustice consideration)* impact which always renders the contract voidable by virtue of the nonequivalence of the parties' obligations. This usurious impact is not a scholastic opinion but it is the direct address of Allah in all usury verses which we mentioned earlier in this paper. For example, Allah said: " But if ye turn back, ye shall have your capital sums: Deal not unjustly, and ye shall not be dealt with unjustly."[66] So, in this verse Allah states frankly that usury does not nullify the transaction but it nullifies the usurious excess and prohibits its possession or claiming, so that means the transaction in itself remains valid and executable. The other way by which the usury would impact the transaction is that the obligations of the exploited party will become exorbitant by virtue of the usurious excess. So, in this case the exploited party is exempted from paying the usurious excess and also is allowed to delay the discharge of the purified obligations to a time in which they can pay without struggling or experiencing *res ongustae domi* (financial difficulties). This impact is also declared frankly in the previous verses of Surat Al Baqarah.

It is worth mentioning that some law systems in some Islamic jurisdictions such as Sudan, courts are prohibited by the law from hearing any usurious action especially if it has been filed from the usurer. So, if a usurious action was filed, the court would summarily dismiss it in a case where usury is evident, or the action wouldn't stand such a defense which might be put forward by the other opponent at any stage even before the high court and for the first time; that is because this defense is a public policy defense which can be raised at any time.[67] Although these provisions negatively affect the usurer's position in the usurious transaction, they can be exploited by them as a shield to avoid ending up before the court of law. In regard to the other party, these provisions will leave them without any protection against a mighty usurer who can exploit them to the extent of slavery. So, for the legal system not to end up assisting usurers, an amendment has to be made to nullify articles such as article 110 of the Sudanese Civil Procedural Act 1983 and usury disputes should be left to be solved by the application of the general rules; because there is no need for such provisions which may harm the public interest, instead of saving it. The result declared here despite its locality, it is feasible and useful to be known in other jurisdictions especially in the Islamic world, so as misconception in

[66] Surat Al Baqarah v. 275.
[67] Article 110 Sudanese Civil Procedural Act 1983; Civil Circular No.40/1405PI.

this regard not to be copied by any other country willing to switch its economic system to the Islamic one.

The criminal impact of usury appears also in two ways, one of which occurs when the usury eater repeats dealing in usurious transactions. There was no precedent of defining such a crime in any criminal act. Also, there was no scholar in any jurisdiction, as far as this research is concerned, said that the repetition of usury dealing is a crime. However, empirically, we can say whenever Allah informs us that a specific action will lead the perpetrator to abide in the fire forever, He would inform us then about an action which disturbs the public interest or the Lord's rights, as Sharia scholars like to describe. Therefore, the breach of usury provisions twice by any person is a crime which deserves punishment (Ta'zeer). For example, the verses which stated the ruling of (haraba), murder, and adultery were drafted in the same way where Allah annexed the provisions by threatening to put perpetrators eternally in the Hell. In Surat Al Ma'eda Allah said: " the punishment of those who wage war against Allah and His Messenger, and strive with might and main for mischief through the land is: execution, or crucifixion, or the cutting off of hands and feet from opposite sides, or exile from the land: that is their disgrace in this world, and a heavy punishment is theirs in the Hereafter."[68]Other examples can be read in Surat Al Nissaa,[69] in Surat Al Furgan,[70] and in Surat Al Nissaa.[71]

The other way of having a criminal impact of a usurious transaction is when a sect in the community combines to deal usuriously in some goods or services or even in a special market. So, according to verse (279) of Surat Al Baqarah, the activity of this sect will be repudiation and rebellion for which they deserve to be punished by launching a war against them. The verse says:" O ye who believe! Fear Allah, and give up what remains of your demand for usury, if ye are indeed believers* I ye do not, Take notice of war from Allah and His Messenger. But ye turn back; ye shall have your capital sums: Deal not unjustly, and ye shall not be dealt with unjustly."[72]

All in all, the impact of usury can be a civil or a criminal impact. The civil impact is that the usurious contract will be voidable. The criminal impact appears when the usurer repeats the dealing in usury or when the usury was committed by a sect of the community in an open and rebellious way. The civil remedy usually is the dismissal of the usurious excess and the contract will automatically will turn out to be valid. The criminal sanctions in the case of the individual perpetrator will be normal penalty (Ta'zeer), but when the perpetrator is a sect of the community the sanction will be a war launching against them.

[68] Surat Al Maeda v. 32.
[69] Surat Al Nissa'a v. 93.
[70] Surat Al Furgan v. 68-69.
[71] Surat Al Nissa'a v. 30.
[72] Surat Al Baqarah, v. 278-279.

Conclusion:

This research paper has reached many results that might impact many of the classic conceptions in both secular and Islamic economy. It also produced a fresh look at many of the textual authorities that were left for a long time with great ambiguity. In this conclusion, we will not report all those results; rather we will mention the most important outcomes.

First of all, the paper stated the definition of usury as: "A description emerges out of specific terms which normally affect mutual contracts, the impact of which always appears in an imbalanced consideration, either by unduly increasing one party's obligations or by unduly decreasing the other party's rights and vice-versa."

Also, the study proved that usury is one kind which affects only mutual contracts. So, accordingly, the research divides usury into six groups, depending on the mutual contract that is affected by usury. The groups are: the exchange of goods usury, loans usury, sale of goods usury, hiring contracts usury, company contracts usury and the marriage contract usury.

The paper proved that the rationale and the shared abstracts between all cases that are prohibited as usury are: the elimination of the greediness off the human behaviour. The discovery of this rationale will give reasonability to many of the old rules in civil transactions laws, such as *laesio*, monopoly, and pricing of goods.

The research also proved that in all mutual contracts, apart from the sale of goods contract, the considerations have to be equivalent accurately, so the allowed excess in all these contracts is zero percent. Whereas in the sale of goods contracts, in which profit is allowed, the excess, which is the profit, may reach up to 5% of the capital of the sold goods. So, if the consideration in the mutual contracts attained 6%, this 6% would be a usurious excess, totally, in all mutual contracts and only 1% of it will be a usurious excess in the sale of goods contract.

In addition, the paper discussed some Islamic transactions whose essence was illustrated and the paper clarifies how they can be conducted to be free of usury. In particular, the paper clarified that Murabaha is not a transaction in itself, but it is a criterion of how the price of the ordered goods can be specified and calculated. Also, the paper clarified that Mudharaba and Musharaka, in which the bank is a mere partner and not a financial corporation, it is usurious for the bank to transfer some of its obligations to the client (the money provider). Furthermore, the paper discussed the bank operations such as the issuance of letters of credit and credit cards, and ratified the commission that is usually charged by the banks, if it is a fixed sum and not exorbitant.

Moreover, the research discussed the impact of usury upon the transactions where it clarified that there are two impacts of usury, one of which is a civil effect and the other is criminal. So, the paper critiques the laws that prevent their courts from hearing usurious disputes. Accordingly, the paper strongly recommends a speedy amendment of these laws so as to enable the courts of hearing, try any usury allegation and to decide what the perfect remedy will be according to the general principles and rules.

Finally, I would not purport that the efforts exerted, so far, in this research paper were perfect and thorough, but I have tried my best to motivate researchers, especially in majors like economy, law, Sharia jurisprudence, and Tafseer (interpretation), to have a fresh look at this topic.

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