

Overview:

Are the current student loans available Halal?

Many Muslims are struggling with the student loan issue due to the prohibition of interest as evidenced by the large number of responses to the government consultation on this matter in September 2014.

To help clarify the Islamic position, we have provided below a summary of the three main scriptural (sharia) positions on this issue, and provided links to supporting edicts (fatwa).

(1) Student loans are impermissible:

The current student loan system is impermissible, as it amounts to an interest based contract (ribā) which is prohibited. See Al Qalam Shari'ah Panel's overview and research paper for the Islamic viewpoint on student loans.

<http://alqalam.org.uk/wp-content/uploads/Summary-Islamic-Viewpoint-on-Student-Loans.pdf>

(2) Substantial Hardship

This view also holds the position that student loans are impermissible due to the prohibition of interest. If an individual student is suffering substantial hardship as a result of not going to university, then some Ulema under the ruling, "Necessity legalises the prohibited," have given permission for one to take a student loan.

See a detailed breakdown of this position on the following link:

<https://www.tafseer-raheemi.com/q839-university-loan/>

Given many jobs are available which do not require a university degree, many scholars do not accept the necessity exemption can be applied.

(3) Student loans are non interest based

Another view holds the existing interest based model is actually permitted as although student loans constitute interest on paper, the underlying structure of the contract more closely resembles a silent partner investment contract, known as mudharabah. For a breakdown of this view and for further information see the following link <https://www.islam21c.com/islamic-law/on-sh-haithams-student-loans-fatwa/>

A further breakdown of the mudharabah contract can be found:

<http://darulfigh.com/are-student-loans-a-mudharabah-investment-contract/>

Website: For further information visit www.halalstudentloans.co.uk

Email: For support, please send an email to info@1stethical.com