

The Messenger of Allah (Allah bless him & give him peace) in another Hādith also condemns the person who delays the payment of his loan without a valid excuse. He said: "The delay of a well-off person (in paying off his debt) subjects him to punishment and disgrace." (Sahih al-Bukhari, no. 2271)

5) If the debtor defaults in his payment due to a genuine excuse, in that he is not capable in paying off the debt, then he must be given respite until he is able to pay. Allah Most High says:

"If the debtor is in a difficulty, grant him time till it is easy for him to repay. But if you remit it by way of charity, that is best for you if you only knew." (Surah al-Baqarah; 280)

6) It is permissible rather recommended to pay something more when returning the loan. However, one must remember that, this should be done out of one's own will, and not enforced. If a condition of paying an extra amount is made or it becomes a customary practice, then this will be classed as Riba, thus unlawful.

Sayyiduna Abu Hurayra (Allah be pleased with him) narrates that a man came to the Messenger of Allah (Allah bless him & give him peace) and demanded a camel (which the Messenger of Allah owed him). The Messenger of Allah (Allah bless him & give him peace) said to his companions to give him (a camel). They said: "We do not find except an older camel (than what he demands). (The Messenger of Allah ordered them to give him that camel). The man said: "You have paid me in full and may Allah also pay you in full." The Messenger of Allah (Allah bless him & give him peace) said: "Give him, for the best amongst the people is he who repays his debts in the most handsome manner." (Sahih al-Bukhari, 2262)

7) If the debtor wants to pay earlier than the specified date in return of discount on the agreed amount, then this is impermissible according to the majority of the classical scholars, which includes the four schools of Islamic law. (See: Ibn Qudamah, al-Mugni, 4/174)

The above are some of the rulings with regards to taking and advancing loans.

Many of the disputes and problems that arise with regards to debts and loans are due to not giving consideration to this great injunction of Shariah. The command of the Qur'an may not be for obligation (wajib) but nevertheless it is very important. Those who make a habit of this are usually free from such disputes and problems.

2) The second principle stated in the above verse is that when making a transaction on deferred payment, it is necessary that the time of repayment be fixed. It is impermissible to defer the payment for an indefinite period of time, for this also may lead to disputes and arguments:

Allah Most High says in the verse quoted above: "to a fixed period of time" indicating that the time of repayment should be fixed. (See: Ahkam al-Qur'an of al-Jassas, 2/208 and Ma'arif al-Qur'an, 1/685)

3) As far as the obligations of the person who owes money to others is concerned, if the loan is as yet not due, in that the fixed time of repayment has still not arrived, then in such a situation the one in debt may travel or purchase goods. However, if the loan is due, then one must pay off the loan and not travel. However, purchasing of absolute basic needs will be permissible.

Imam al-Haskafi (Allah have mercy on him) states:

"One will not be imprisoned in deferred loans neither will one be prevented from travelling, before the time of payment arrives, even if the journey is distant. The creditor may also travel with him, and when the time of payment arrives, he can prevent him from travelling (further) until he pays his loan." (See: Radd al-Muhtar ala al-Durr al-Mukhtar, 5/384, fasl fi al-habs)

4) It is a grave sin to delay payment of the debt when the time of its payment arrives.

Sayyiduna Abu Hurayra (Allah be pleased with him) narrates that the Messenger of Allah (Allah bless him & give him peace) said: "Delay in repaying debts by a wealthy person is oppression." (Sahih al-Bukhari, no. 2270)

Fiqh of Borrowing and Loans

(By a Muslim brother)

Asking for a loan or borrowing something when there is a genuine need is permissible, provided one has the intention (and means) to pay back, as it can be deduced from the guidelines of the Qur'an and Sunnah.

It is stated in al-Fatawa al-Hindiyya (a major Hanafi Fiqh reference):

“There is no problem (la ba's) in one taking a loan if there is a genuine need, provided one has the intention of paying back. However, if one takes a loan without intending to repay it, then one will be consuming unlawful (haram) wealth.” (al-Fatawa al-Hindiyya, 5/366)

The following are some of the rules and regulations (fiqh) with regards to taking/advancing a loan, purchasing on credit and borrowing / lending:

The first and foremost ruling with regards to loan transactions is that it should be contracted in writing. A written document should be prepared while concluding a transaction of deferred payment. The benefit of this is obvious, in that it is a strong tool in avoiding possible disputes and conflicts in the future.

Allah Most High says:

“O you who believe! When you deal with each other, in transactions involving future obligations to a fixed period of time, reduce them to writing. And Let a scribe write down faithfully as between the parties: And let not the scribes refuse to write: as Allah Has taught him, so let him write. Let him who incurs the liability dictate, but let him fear His Lord Allah, and not diminish aught of what he owes.” (Surah al-Baqarah, 282)

In the above verse, which is incidentally known as the verse that deals with loan transactions (ayah al-mudayanah), Allah Most High commands us to put in writing when a transaction is made that involves a debt payable at a future date. Thus, it is very important that when one takes or advances a loan, one should reduce the transaction to writing, even if it is a small amount, for this saves both parties from future disputes.