

**By**  
**Justice Maulana Muhammad Taqi Usmani**  
**With footnotes by Ustaaz, Ahmed Fazel Ebrahim**

**The Disposal of Interest Money**

**Q.** Observing Muslims all over the world, which unfortunately includes those living in Muslim countries, face the problems brought before them by unwanted interest money generated in their name through channels they do not control. This happens, inspite of their being careful against whatever is likely to get them involved in interest bearing activity.

In case, interest does come into their accounts, no matter how unwanted, is there a valid way under the Shariah through which the identified interest amount can be disposed?

- 1.** Can it be taken out of the account and used to pay personal or company income tax?
- 2.** Can it be used to pay for insurance dues on cars, houses, materials, businesses, stores, etc.?
- 3.** Can interest money be given as part of his or her salary for work to a non-Muslim? Would that apply to Jews and Christians as well?
- 4.** Can this be given to non-Muslim charities unusually solicited through mail, door-calls and ads, such as, Blood banks, Heart Associations, Community Service groups, Welfare Committees for the aged, sick, disabled, prisoners and similar others under disadvantage?
- 5.** There are individuals on the streets and subways asking for help. Are they entitled to be given this money?
- 6.** There are non-Muslims one knows live under very low income levels. Would they be preferable as recipients of this interest money?
- 7.** Is it permissible to give this money to Muslims falling in some of the above categories?
- 8.** Is it right to give this money to: a) Make toilets in Masjid? b) Help counter anti-Muslim propaganda as claimed and accepted by a known Muslim institution in South Africa?

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**A.** As a general rule, no Muslim by his free choice should invest or deposit his money in an interest-bearing scheme or account.

If a Muslim has deposited his money in an interest-bearing account for any reason, or

the interest has come to his account without his choice or intention, he should not receive the amount of interest, but should surrender it to the payer of interest.

However, in non-Muslim countries he can receive the amount of interest with a clear intention that he will not use this amount for his personal benefit.<sup>1</sup> In this case it is incumbent upon him to give this amount as Sadaqah to the poor who do not have the nisab of Zakah.<sup>2</sup> This is not the normal Sadaqah which a Muslim gives out of his lawful income with an intention to get reward in the Hereafter. Instead, this Sadaqah is meant only for disposing unclean and unlawful money and to relieve oneself from the burden of an ill-gotten gain.

But it should be remembered that this amount is unclean only for the person who has received it as interest. The poor persons who get it from him as Sadaqah can use this amount for their personal benefits. This amount can also be given to one's close relatives who are entitled to receive Zakah. Even one's adult children can receive this amount from him, if they are so poor that they can receive Zakah.<sup>3</sup>

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<sup>1</sup> Footnote by Ahmed Fazel Ebrahim: Since the Shari'ah had ruled that taking of interest is Haraam upon Muslims, this rule applies to Muslims not only when intending to take interest from Muslims but also when Muslims intend to take interest from non-Muslims. The view of Mufti Taqi Usmani does not deny this facet. Rather, it acknowledges the financial and economic conditions of non-Muslim financial entities that earn interest from its clients and other investments in order to pay interest to depositors and those who have invested funds with their institutions but simultaneously also recognizes that returning interest received to from these institutions to the very same source from where it was acquired is futile since these institutions do not, in-turn, return the interest to sources from where they acquired it. Rather, such financial institutions would either use the interest for internal benefit or distribute it to other charities – many or all of which are non-Muslim and, sometimes, are also engaged in missionary work against the teachings of Islam. On the contrary, the other fatwa given in Imdadul Fatawaa which relates to returning interest from where it was taken is 100% in compliance to the Shari'ah. Thus, where interest is then to be returned to the source from which it was taken, we as Muslims are not responsible regarding their subsequent use and disbursement of interest returned to them by the clients. This is a great test on the Imaan of Muslims! In the case of financial institutions, the owners of the interest, in the legal sense of the non-Islamic law, are the shareholders of the institution until the point of their distribution of such interest when ownership is legally transferred to depositors and investors who deposit or invest with such institutions. In the case of shares, the issue is different; the actual shareholder is a recipient of fractions of interest earned by companies. In the latter case, the shareholder actually earns interest directly. In the former case, his deposit of funds on an interest basis entitles the banking and financial institutions to re-invest and lend on interest and non-interest basis. Thus, in the case of not knowing who the actual owners of interest taken, it is correct to distribute the interest to the poor. However, the Nass (text) of the Quran makes interest Haraam for all Muslims - rich and poor. It is therefore that interest is not to be discharged to poor Muslims.

<sup>2</sup> Footnote by Ahmed Fazel Ebrahim: Allah had ruled the taking of interest to be Haraam upon Muslims. Thus, the ruling would apply to rich and poor Muslims.

<sup>3</sup> Footnote by Ustaaz, Ahmed Fazel Ebrahim. I, humbly differ with my Ustaaz Justice Mufti Taqi Usmani on this view. Allah had made interest Haraam for all Muslims. To thus, give poor Muslims interest is Haraam. The only situation, and as a lessor evil, where I would consider it allowable for poor Muslims to use interest is in the case where these very poor Muslims are obliged to pay interest-related debt on necessities. Thus, interest given to them can only be possibly used to pay or off-set interest that they have to pay towards mortgage and other interest payments that they have to make. This allowance cannot be extended to the rich since they do not have the dire need to purchase on an interest basis. The rich may argue that financial rules in non-Muslim countries oblige them to make purchases on interest. This is true for tax purposes but their purchases of luxury goods, non-essentials and other essentials on an interest basis is purely investment based and not on dire necessity for subsistence.

Keeping these rules in view, the certain answers to your questions are as follows:

**(1)** No. If the amount of interest is used in paying income tax or other government taxes, it amounts to using it for personal benefit, hence it is not permissible. Some contemporary scholars of Shariah, however, have allowed it only where the banks or financial institutions are nationalized. But I am not satisfied with this proposition. It is a very grave sin to use interest-money and one should not seek such advices to use the same for his own benefit.

**(2 & 3).** No, all these uses are beneficial to the holder of interest-money, hence impermissible.

**(4).** As mentioned above, the interest-money can only be given as Sadaqah to those entitled to receive Zakah and the Sadaqah can only be performed through tamlik, i.e. by making the payee owner of the amount. So, This amount cannot be given to any welfare scheme where it is spent in office expenditure, salaries of the staff, construction of building or purchasing things of public use without giving it in the ownership of a particular person. The interest-money therefore should be given to some poor person entitled to receive Zakah. But unlike the Zakah money, the amount of interest can also be given to a poor non-Muslim who does not own the value of nisab (threshold).<sup>4</sup>

**(5).** If they are so poor that they do not have the nisab of Zakah, the interest-money can be given to them.<sup>5</sup>

**(6).** As mentioned earlier, the interest-money can be given to a non-Muslim also subject to the condition just mentioned in answer to question 5.<sup>6</sup>

**(7).** Yes if they are entitled to receive Zakah, they can be given the interest-money also.

**(8).** As mentioned in answer to question no. 4 this Sadaqah must be performed through tamlik, So, the amount cannot be used for making toilets of a masjid or in the general expenditure of a Muslim association.

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<sup>4</sup> Footnote by Ahmed Fazel: The nature of interest is different from Zakaah. Thus, in my humble view, tamleek cannot be applied to interest when interest is not returned to the original source from where it was taken. It is also a Hanafi ruling that Zakaah is discharged by tamleek (making other poor individuals the owners of the discharged Zakaah). Some other Shari'ah opinions do not specify tamleek in the case of Zakaah. That is a juridical debate within Islamic jurisprudence.

<sup>5</sup> Footnote by Ustaaz, Ahmed Fazel Ebrahim: Allah had made interest haraam for rich and poor Muslims.

<sup>6</sup> Footnote by Ustaaz, Ahmed Fazel: Firstly, the Non-Muslims are not obliged to follow the Ahkaam of the Shari'ah. Secondly, the issue of Nisaab is related to discharging Zakaah and not to discharging Haraam interest. The ruling pertaining to Nisaab is thus not applicable to distributing interest.