



## Are UK Student Loans permissible for Muslim students?

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

هُوَ الْمَوْفِقُ

حَامِدًا وَمُصَلِّيًا وَمُسْلِمًا

الجواب ومنه الصواب

UK Student Loans are not permissible as they are ribā loans.

Our focus in response will be on the Tuition Fee Loans and the Maintenance Loans and not any other student finances available.

Also, we will be looking at Plan 2 in particular, as it became valid after 1<sup>st</sup> September 2012.

We will be interrogating the government's website for any information required with respect to the loans – <https://www.gov.uk/repaying-your-student-loan/overview>

All websites were accessed as dated below.

According to Plan 2 a student loan has to be paid back when one starts to earn £21,000. The average graduate earnings according to The Complete University Guide is £22, 984. (<http://www.thecompleteuniversityguide.co.uk/careers/what-do-graduates-do-and-earn/what-do-graduates-earn/>). As the motivation for many individuals to attend University is to obtain a degree which will get them a better paid job then one can assume that most will be earning in excess of £21,000 within a few years of graduating, if not immediately.

Below is the breakdown of how the Plan 2 Student Loans are paid back



## Plan 2

### Your income per year Monthly repayments

£21,000 and under	£0
£25,000	£30
£30,000	£67
£50,000	£217

### Interest on Plan 2

While you're studying, interest is inflation plus 3%.

Income	Interest rate
£21,000 or less	Inflation
£21,000 to £41,000	Inflation plus up to 3%
Over £41,000	Inflation plus 3%

As a result, one can see that interest to the monthly repayments is added after one starts to earn £21,000; and it varies from a minimum of inflation up to 3%. Interest is ribā, which is obviously Ḥarām.

The inflation amount itself is like ribā as the 'value' of the money becomes less over time. Simply put it is the continuous increase in the general level of prices for goods and services. It is measured and quoted as an annual percentage increase, however figures are available month to month. So with inflation rising, the £1 buys less of a particular good or service. In summary, the value of the £1 does not stay constant when there is inflation. Inflation rate is currently at 1%. (<http://www.rateinflation.com/inflation-rate/uk-inflation-rate>)



This is based on the view that currency is considered as gold/silver even though it does not hold the intrinsic value which is stated on the notes. There are a number of reasons such as 'urf, rawāj or iṣṭilāḥ. It is based on this understanding that when one has the niṣāb in sterling pounds (£) then zakā is due even if the intrinsic value of the currency is significantly lower.

Let's look at how inflation is considered as interest, both by the government and in reality. For instance, if I borrowed £25,000 as a student loan in 2013 and was now earning £21,000 and was only expected to pay the original loan and inflation I would have to actually pay back - £25,943. That is because the cost of goods and services increased by 3.9% over the three years. According to the Sharī'a however, we have to give like for like, irrespective of the value of the item at both the dates, namely borrowing and paying back.

Looking at it from the gold perspective if I loaned out 1kg of gold in 2014 when it was worth £33,000 and then I received 1kg of gold in 2016 but it is now worth £30,000; I cannot ask for £33,000 of gold by saying its value has dropped over time hence the loanee has to make up the difference of £3000, but rather I must take the equal quantity I loaned. Otherwise if I asked for £33,000 I would have to take receipt of 1.1kg of gold in return as a repayment; a 0.1kg surplus for which there is nothing in exchange.

One cannot consider a university education as a necessity as one can get a job, and a well-paid one at that without going to university. Furthermore, if one is adamant on attending university then they can borrow money from family and friends and pay them back when they are earning. This is no different to individuals taking out ribā loans for cars and/or houses; where in these cases one is arguing from a stronger premise.

One has to consider this as a loan and not some other type of financial arrangement even if the lender agrees to free the loanee of the debt if he does not get sufficient earnings from his studying at the university upon graduation.



والله اعلم وعلمه أتم

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