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The first question of Fatwa no. 19492:

Q 1: Some banks follow a so-called "Islamic" policy; they buy land and give it to us in return for certain conditions. They also agree with a contractor to reclaim it as we wish in a year or two. In return for this, they calculate an annual profit for themselves. If the borrower returns the money before the prescribed period, the profit of the rest of the period is deducted. Is this transaction done in an Islamic way? What do you think of this? Please advise, may Allah reward you.

A: If the bank buys and reclaims land for you, and charges you the capital, costs and interest, this is considered obvious Riba (usury), because it is a loan which yields an interest. Scholars unanimously agree that each loan which yields an interest is considered Riba.

May Allah grant us success! May peace and blessings be upon our Prophet Muhammad, his family and Companions!

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