



Borrowing from an Employee Loan Fund

Fatwa no. 18544

Q: The United Electricity Company in Al-Sharqiyyah established a loan fund for company employees. The loan can be equivalent to between one and six monthly salaries, with the maximum amount being 60,000 Riyals. The loan is to be repaid in monthly installments that are deducted from the employee's salary, without any interest. The loans are only available to those who are participating in another fund; a cooperative fund, which requires a deduction of 20 Riyals from the participant's salary.

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This is a required condition for anyone to receive the loan from the fund.

For your information, the purpose of the cooperative fund is to assist the participating employees to get married, to have assistance during the month of Ramadan, to repay debts, or when facing emergencies. Also, any employee who receives a loan, will have 100 Riyals or more - based upon their salary - deducted from their salary monthly until the end of their service or retirement, at which time all the money that was deducted will be repaid. The 20 Riyals discounted by the cooperative fund will not be repaid, whether or not a loan is received.

Another condition for receiving a loan is that before receiving the loan, half the employee's basic salary will be deducted over a period of twelve months. After completing this time; deducting 20 Riyals, as was mentioned, until the end of service; and deducting the 100 Riyals; an employee may get a loan from the fund. The loan should not be in excess of six monthly salaries or 60,000 Riyals. I hope that Your Eminence will give us a Fatwa on the following questions: a. What is the ruling on taking loans from this fund, if it is conditional on the 20 Riyal deduction, when the stated purpose for that is assistance

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to help employees get married, to sustain them during the month of Ramadan, and offer assistance in times of emergencies for the participating employees, as I mentioned earlier? b. What is the ruling on deducting 100 Riyals or more from the salary of an employee who receives a loan, which continues until the end of service, when it is returned to them on retirement? The money is deposited for this period in company accounts in banks that deal in Riba (usury/interest). Also, the half of the basic salary that is discounted for the twelve months prior to receiving the loan is also repaid to the employee upon retirement.

A: If the reality is as you mentioned, it is not permissible for you to take this loan, because the lender

has made it conditional to take an excess for the loan; the aforementioned deductions. It was authentically reported that the Prophet (peace be upon him) said, ([“Every loan that brings benefit is Riba.”](#)) There is Ijma' (consensus of scholars) upon this ruling. May Allah grant us success! May peace and blessings be upon our Prophet Muhammad, his family, and Companions!

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