

Press Release

Banks in the Capitalist System: Their Reality, the Nature of their Transactions, and the Related Islamic Legal Ruling

(Translated)

While official institutions continue to justify and shield the existing financial system from any legitimate criticism, the Egyptian Dar al-Ifta (the official body for issuing religious edicts) recently issued a statement declaring: "Dealing with banks and receiving interest from them is permissible according to Islamic law, as is spending this interest on permissible expenditures." Despite the inherent danger of this statement, which effectively legitimizes usury, it reveals the stark contradiction between Islam's definitive rulings on *riba* (usury) and a capitalist system that attempts to disguise it under the guise of "interest" and "financial services."

Banks in the capitalist system are an essential part of its economic structure. They are institutions established to serve its philosophy of maximizing individual profit, empowering capitalists, and plunging societies into debt, which in turn produces economic dependency and political domination. Therefore, understanding their true legal status cannot be separated from understanding this system itself, the nature of the contracts it establishes, and the resulting effects on people's lives. From this, it becomes clear that capitalist banks are not legitimate entities operating according to legitimate contracts. Rather, they are instruments based on an illegitimate (non-Shari') concept and founded on inherently prohibited transactions, the most significant of which are *riba* (usury) in its two forms: excess and deferred payment.

The bank, in its legal essence, is a "legal entity," meaning an invented entity with no tangible existence. Individuals do not deal with it as a real party to a contract, as they would with a known merchant or owner of funds. The concept of a legal entity is a human legal construct that places responsibility on the institution, not on the individuals managing those funds. This seemingly technical idea has serious implications from a Sharia perspective. In Islam, contracts are made between real parties who possess legal capacity, are legally responsible, and can be held accountable for their consent, acceptance, and offer. However, to invent a fictitious entity that binds people, imposes rights and obligations upon it, and makes its transactions legally binding is entirely contrary to the Shariah.

This conceptual view is what allowed banks to deal with funds deposited with them without specifying a specific owner, and to conclude contracts in which no human being bears the responsibility for the actual guarantee, which makes many of these contracts invalid in terms of the lack of a contract between the contracting parties, and in terms of their violation of the conditions for the validity of the transaction that the Sharia has required.

In practice, capitalist banks are not based on productive investment or risk-sharing, but rather on the core activity upon which they were founded: Lending money at a predetermined interest rate. They take money from depositors with a promise of a fixed return, then re-lend it to individuals, companies, or countries at higher returns, making the difference their profit. Therefore, the essence of this financial transaction is a loan with a stipulated interest rate, which is precisely the usury that Islamic law has categorically prohibited, based on the texts of the Quran, the Sunnah, and the consensus of the Companions. The predetermined return remains unchanged, regardless of whether the bank profits or loses. It is not linked to any genuine investment activity or risk-sharing; rather, it is a stipulated increase on the principal. This is the definition of usury (*riba al-nasi'ah*) as established by definitive Islamic legal texts.

Some promote the idea that bank interest is not usury because it is "investment profit," and that the bank "invests" the money in projects, giving the depositor a share of the profits. This argument is refuted on several grounds:

1- **The return is predetermined**, whereas profit in Islam is not known before the activity takes place, but is distributed according to an agreed-upon percentage after the profit is realized. Riba, on the other hand, is a fixed amount independent of the investment results.

2- **The absence of a partnership agreement**; The depositor is neither a partner, nor a speculator, nor an owner of a share in the project. The only evidence of the relationship is the deposit receipt. This cannot be considered a profit-sharing agreement, because profit-sharing is based on the possibility of profit and loss, while the bank guarantees the money and guarantees interest.

3- **The bank guarantees the capital**, and the guarantee of capital by a partner or investor leads to the invalidity of the contract according to Sharia, because the guarantee turns the partnership into a loan, and if a benefit is stipulated with the loan, it becomes usury.

4- **The absence of real investment altogether**; most of the banks' money is returned as loans to other clients or placed in debt instruments, and not in productive investments subject to the rules of participation.

Therefore, saying that bank returns are not usury is merely an attempt to change the name of what is forbidden, which does not change its reality at all.

Usury, while forbidden because it violates the Shariah (Islamic law) as clearly stated in definitive texts, leads to disastrous consequences. It concentrates wealth in the hands of a few, plunges individuals and nations into debt, transforms society into a creditor class and a debtor class, and concentrates wealth in the hands of the rich. These are not theoretical realities, but rather a stark reality in Muslim countries, where nations have become beholden to international banks, and people are trapped by consumer, housing, and educational loans. Banks are not institutions serving the economy, but rather tools for absorbing wealth and redistributing it to serve global capital, thus perpetuating the dependence of Muslim countries on the international financial system governed by Western institutions.

O People of Egypt al-Kinana: The highest danger facing the Ummah is not poverty or inflation, but rather the distortion of awareness when usury is disguised as permissible, and people are told that what Allah has explicitly forbidden has become permissible through a fatwa or statement! So be discerning from whom you take your Deen, and do not take the (Ahkaam) rulings of your Lord from those who prioritize pleasing rulers over pleasing Allah. And be cautious about whom you learn from, for not everyone who issues fatwas is qualified to do so, and not every voice that cloaks its pronouncements in the garb of the Shariah is truly advising you.

O Scholars of Al-Azhar, you whom Allah has Entrusted with the Responsibility of Clarifying the Truth: Allah has taken a covenant from you to make the truth clear and not conceal it, and not to fear the blame of any critic in the cause of Allah. So do not be mouthpieces for a regime that uses religious edicts to legitimize riba (usury), and do not issue fatwas that displease Allah. Be advocates for the establishment of the Islamic state and the liberation of people from the tyranny of capitalism, not advocates for justifying a corrupt reality to which the Ummah is meant to submit.

The Ummah awaits from you a word of truth that will revive hearts and restore their faith in their Deen. It awaits from you a stance that aligns with what you know of the truth, what revelation indicates, and what the trust placed upon you necessitates. So be at the forefront of those working to implement Islam and establish its state, so that Allah may open hearts through you and for you, and the promised Islamic State, the Khilafah Rashidah (rightly guided Caliphate), may be established according to the methodology of the Prophethood.

﴿إِنَّ الَّذِينَ يَخْتُمُونَ مَا أَنْزَلْنَا مِنَ الْبَيِّنَاتِ وَالْهُدَىٰ مِنْ بَعْدِ مَا بَيَّنَّاهُ لِلنَّاسِ فِي الْكِتَابِ أُولَٰئِكَ يَلْعَنُهُمُ اللَّهُ وَيَلْعَنُهُمُ اللَّاعِنُونَ﴾

“Those who hide the clear proofs and guidance that We have revealed—after We made it clear for humanity in the Book—will be condemned by Allah and ‘all’ those who condemn.”
[Al-Baqarah 2:159]

**Media Office of Hizb ut Tahrir
in Wilayah Egypt**

Webpage: www.hizb.net

E-mail: info@hizb.net

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