

**PROPERTY INVESTMENT IN SINGAPORE :
A REVIEW OF RIBA IN MUAMALAT TRANSACTION**

THESIS

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Degree of Master of Law



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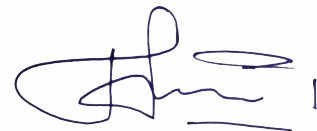
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Hereby, declare that :

1. The thesis entitled : **PROPERTY INVESTMENT IN SINGAPORE : A REVIEW OF RIBA IN MUAMALAT TRANSACTION** is my original work and contains no one's scientific paper that may be proposed to achieve an academic degree at any universities. Besides, there is no other's idea or citation except those which have been quoted and mentioned at the bibliography.
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3. This thesis can be used for literature review which can be accessed by others freely (**NON EXCLUSIVE ROYALTY**).

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Malang, 5 May 2023

The Writer,



Muhammad Ilyas Bin Muhammad Jamil

PREFACE

Bismillahirrahmanirrahim, All praises and thanks be to Allah SWT who has granted ease and facilitated the completion of this thesis. May blessings and peace be upon the Prophet Muhammad SAW, whose intercession is awaited in the Hereafter.

The thesis titled "PROPERTY INVESTMENT IN SINGAPORE: A REVIEW OF RIBA IN MUAMALAT TRANSACTION" was carried out to fulfill one of the requirements for obtaining the Master of Law from Universitas Muhammadiyah Malang. This research would not have been possible without the guidance and encouragement from many parties. Therefore, the author would like to express sincere gratitude to:

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In conclusion, as the researcher, I acknowledge that this thesis is far from complete, and I humbly request recommendations for further development to achieve its perfection.

Malang, 5 May 2023

The Writer,



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Abstract

This study aims to determine the *taklīfī* (defined law) elements based on *maqāṣid al-sharī'ah* law related to owning a house in Singapore, as well as the *ribā* (usury) factors involved in property investments based on Muamalat Law. The study explores the legal limits set by the *maqāṣid al-sharī'ah* law for acquiring residential property in Singapore, with a focus on the role of *ribā* in property investments as stated in Muamalat Law. This research utilizes a qualitative methodology with a phenomenological approach to examine the perspectives of the Muslim community in Singapore, including Majlis Ugama Islam Singapura, a local prominent scholar, housing agents, and their clients. Data collection for this study consists of primary sources, such as interviews, and secondary sources obtained through library document analysis. Using the local context, where there is no interest-free loan to buy a house, the analysis is conducted based on the concept of *al-hājah tunazzilu manzilah ad-darūrah* and *al-darūrāh tubīḥ al-maḥzūrāh*, as well as the application of the *maqāṣid al-sharī'ah* in addressing the problems of the local community, so that the law is in line with the development and demands of the time and place. The research suggests that the community seems to pay insufficient attention to *ribā* in their daily property transactions, whether for essential or luxury purposes.

Keywords: *ribā*, muamalat, investment, property, *maqāṣid al-sharī'ah*

Introduction

Singapore is a secular country where Muslims are amongst the minority community that faces various challenges living in Singapore as Muslims. Among these challenges is the management of buying and selling houses due to the absence of sharia-compliant financial institutions and the unaffordability of paying for property in cash, as prices are extremely high. Singapore is the fifth most expensive place in the world to buy prime property according to the Knight Frank Wealth Report 2022 (Melisa, 2022). This forces many Singaporeans, including the 18.3% of Muslims who are homeowners (HDB, 2021), to take usurious (*ribā*) loans that are forbidden in Islam in order to own property in Singapore. This trend raises many questions because property prices in Singapore are so expensive that a 90 square meter house with two bedrooms can cost \$400,000 Singapore dollars (Oeni B, 2008). It is almost impossible to own a house in cash in Singapore.

Islamic law is flexible and rulings may evolve over time due to factors that allow for it. An example of leniency in Shariah law is given to a person who is in an urgent situation, which allows the ruling to change to the opposite and allow the *haram* (forbidden) to happen due to the potential for greater harm if it is not done. For example, the urgency to protect the five elements of necessities (*ḍarūriyyāt al-khams*). There is no denying that the need for a place to live is considered a basic human issue, so it becomes a necessary law for the Muslim minority population, causing the law to be relaxed for the community (al-Qaradawi Y, 2001).

In this case, it is almost impossible for a person to own a house without taking out a loan with interest, while the alternative of renting a house also raises another issue of costly rental fees. The Prime Minister of Singapore, Lee Hsien Loong highlighted a worrying trend in Singapore's Malay community during his National Day Rally speech on 29 Aug 2020 that the proportion of Malay households in rental flats has increased based on the Census 2020 survey he cited (Syahindah, 2021). Mr Masagos Zulkifli, Minister-in-charge of Muslim Affairs, said that the government worried that

Malays living in rental homes will become entrenched, leading to falling home ownership goals. He's working to reach out to members of the Malay community living in rental flats, to pass on the message that they must aspire to own homes, because this is an asset that every Singaporean should have (Wong P, 2021) It is illegal to live in Singapore without a proper place, including short-term rentals. In 2012, the Urban Redevelopment Authority (URA) found about 1,800 cases of unauthorized private home use, including short-term stays, which are cheaper than staying in hotels (Mok F, 2013). Therefore, all Singaporeans must have an authorized place to stay in Singapore.

Since there is no fatwa in Singapore that clearly allows the taking of usurious loans for those who want to own a house, the closest example of a fatwa that can be taken into account is the fatwa issued in Europe, as the Muslim community there is also considered a minority. Different laws in transactions (*muamalah*) arise in each place due to different circumstances, benefits, and needs, therefore scholars also have different opinions in evaluating a law. In the matter of buying and selling houses based on usury in Europe, there are also two fatwas issued by muftis that contradict each other, with the majority of scholars maintaining that any form of usury-based transaction is haram. The other fatwa, however, is issued on the basis of the emergency situation faced by the minority community. The assessment of the principle of emergency that allows a society to carry out usurious transactions needs to be studied in depth so that the prohibition law is not taken lightly and the relaxation of the law does not open the door to abuse by those who are less sensitive to the principles of Islamic *muamalah*. Some questions that need to be asked before requiring something that is prohibited by religion, such as taking on usurious debt in the purchase of a house, include whether the legal position of buying a house is included in the matter of *hajjiyyat* (needs) or *darūriyyah* (necessity), as there is a difference of opinion among scholars in that regard (Ibn Bayyah, 2018).

Unfortunately, the original ruling has been taken lightly to the extent that the prohibition of *ribā* is ignored and taken casually, without considering other

alternatives and taking a minimal loan instead of maximizing the taking of loans with interest in the name of investments. With the idea that the property market will always appreciate, most homeowners believe that the price of the property will rise in the future, allowing them to make a profitable sale of the house and buy a better one in return. This is especially true for landed residential property prices in Singapore, which appreciated at the fastest pace in the past 10 years in 2021, surging 13.3% year on year compared to a lackluster 1.2% expansion in 2020 (Kerk C, 2022). The consideration of buying a bigger house or a premium location is to maximize profit for the future sale. In order to fulfill that dream, homeowners may need to take more loans, which involves more *ribā*.

Owning multiple properties in Singapore has been a trend, while servicing loans with interest for the first property. The benefits for investors who own multiple properties include the ability to get a passive income by renting out one of the properties, the power of leveraging by using the Central Provident Fund (CPF) and taking out home mortgage loans to offset the initial financial obligation of purchasing a property, and capital appreciation by profiting from resale (Lim P, 2022). This can result in taking more loans with interest in the transactions, causing more commitments to servicing the debts and going against the ethical concepts of generating an economy in accordance with Islamic rulings.

A. Research Question

The formulation of the problem to be asked is as follows:

1. What are the *taklīfī* (defined law) elements based on *maqāṣid al-sharī'ah* law that pertain to owning a house to live in Singapore?
2. How are *ribā* factors involved in property investments based on Muamalat Law?

B. Research Objectives

The aims of this study are to:

1. Understand the *taklīf* elements based on *maqāṣid al-sharī‘ah* law that pertain to owning a house to live in Singapore.
2. Find out how *ribā* factors are involved in property investments based on Muamalat Law.

C. Scope and Limitation

Based on the background of the study, this study has scope and limitations. The scope of this study is focused on the property investments in Singapore that involve buying and selling properties for the purpose of investment. It is a review of Muamalat specification in conjunction with *ribā* law. This means that the study focuses on a specific area of interest, which implies that the research will not cover other areas of property investments or other countries.

Muamalat refers to the financial transactions and contracts that are compliant with Islamic principles. *ribā*, on the other hand, refers to the prohibition of interest, including but not limited to it. Therefore, the study will review the Muamalat specification with respect to property investments and the *ribā* law in Singapore implies that the research will explore how the principles of Muamalat are applied to property investments and how the *ribā* law affects property investments in Singapore.

Singapore is a secular country with systems that are not fully in line with Islamic teachings. The high price of housing results in an expensive rental market, causing an element of oppression and causing Muslims to resort to taking usurious loans on interest, which is forbidden in Islam.

In the context of Singapore, the contemporary situation of owning properties, involving developers, agents, and homeowners, has undergone significant progress.

Literature review and theoretical framework

The literature review is an overview that contains an extensive summary of previous research. It provides innovations for achieving different aspects of analysis from previous research.

The thesis written by Kurniati Yusdono in 2013, entitled "The Flexibility of Islamic Law in the Perspective of Emergency and Benefit" and published by UIN Alauddin Makassar, discusses the form of legal flexibility in the perspective of emergency and *maslahah* in general (Yusdono K, 2013). However, the thesis that will be produced by the writer is more focused on a specific situation caused by a specific reason: usury in the sale and purchase of houses.

A journal written by Efa Rodiah Nur titled 'Usury and gharār: A Review of Law and Ethics in Modern Business Transactions' and published by Universitas Diponegoro Semarang (Efa N, 2015) discusses the debate about usury and ambiguity (*gharār*) in law and ethics in modern business transactions in general. However, the thesis that will be produced by the writer is more specific to usurious transactions in the purchase of houses in Singapore.

Fatwa management and research journal by Noor Naemah Binte Abdul Rahman, Mohd Akram Bin Dato' Dahaman, and Muhammad Najib Bin Abdullah, entitled "The Influence of Differences in Economic, Political, Demographic, and Legal Realities on the Determination of Fatwas in Malaysia and Singapore" (Naemah N, 2014), discusses the differences in fatwas in Malaysia and Singapore. However, the thesis that the writer will produce not only specializes in fatwas, but will also examine it from other sources.

A study by Irdlon Sahil in his journal published in *Al-Tsaman*, entitled "Overview of Islamic Law of Investment" (Sahil I, 2021), reviews the Islamic law of investment based on a legal basis contained in several verses in the Qur'ān, including QS. al-Baqarah: 261, QS. An-Nisā: 9, Lukman: 34, and Al-Ḥashr: 18. However, the thesis

that the writer will produce does not limit the base research to only the verses of the Qur'ān, but is more general, including sources such as *ḥadīth* and its commentaries, and even fatwas produced by scholars.

A journal by Amalia Nuril Hidayati from IAIN Tulungagung, entitled 'Investment: Analysis and Its Relevance with Islamic Economy' (Amalia N, 2017), discusses the spiritual moral aspect of investment in Islam. This spiritual moral dimension is indispensable for filtering out forbidden economic activities in Islamic investment, as there are rules in Islam that impose restrictions on which activities are lawful and unlawful to do, with the aim of controlling people from activities that harm society. However, the thesis that the writer is going to produce does not limit itself to only the moral and spiritual aspect of the economy, but also includes other aspects such as the legal aspect.

An article produced by Fatkhul Wahab from Institut Agama Islam (IAI) Al-Qolam Malang, Indonesia, entitled 'Usury: Dirty Transactions in the Economy' (Wahab F, 2017), aims to reveal the nature of usury, its types, the cause of its prohibition, and the negative side or adverse effects of usury in economic activities. The author concludes that, among other things, the negative impact of usury causes discord and dissatisfaction among society and results in economic instability. However, the thesis that the writer will produce is limited to researching usurious transactions in the buying and selling of properties in Singapore.

A study by Egi Arvian Firmansyah and Deru R Indika from Universitas Padjadjaran, entitled 'Sharia Home Ownership Credit Without Bank: Study in West Java' (Firmansyah A, 2017), discusses home mortgages or KPR as an alternative solution for owning a house in this increasingly difficult era. According to the study, home mortgages can be done through conventional banks, sharia banks, or non-banks. However, research on the practice of non-bank mortgages is still relatively scarce. This study is expected to contribute to the literature on Islamic home financing, particularly in Muslim-majority developing countries. The difference between this

research and the thesis that the writer will produce is that the writer will discuss the issue from a Singapore perspective.

A journal published in 2020 by Arman Paramansyah titled "*Bay' Al-Istisnā and Bai' Taqsith* Contracts on Home Ownership Financing (Non Bank) in Indonesian Islamic Housing" (Paramansyah, 2020) explores the implementation of *istisna'* and *Bay' Al-Taqseet* contracts and their relationship to financing house ownership without the use of a bank. The study also includes a description of these contracts in order to provide a clear understanding. The difference between this research and the thesis that the writer is planning to produce is that the latter will compare the contracts presented in the journal to those in the proposed thesis.

The word *ribā* means to increase, grow, multiply, and climb. However, in an economic context, it is generally considered a contractual increase on loaned money or a commodity. Usury or *ribā* is defined in three main categories: liberal, mainstream, and conservative views.

1. Briefly, the liberal view has the narrowest definition of *ribā* and equates it with usury as an exorbitant rate of interest compounded at short intervals. Interest rates paid and charged by financial intermediaries, called bank interest, are considered outside the scope of *ribā* (Ahmed Q, 1995).
2. The mainstream view is that any contractual increase, whether small or large, is *ribā*, therefore encompassing bank interest as well (Capra M, 1984).
3. The conservative view is that in addition to usury or bank interest or both, *ribā* also includes all forms of economic exploitation of the poor by the rich, such as profiteering and paying subsistence wages to laborers (Haque, 1993).

Matters related to *ḍarūrah*, which make usurious transactions permissible, may differ in definition from one society to another. This does not only apply to individuals who require owning a house, but also to the conditions of a community when they are involved in a *ribā*-based loan. The principle of *ḍarūrah* is accepted

among jurists as an exemption in situations where observing the general rules may cause hardship, harm, or injury.

Difference between necessity (*darūriyyah*) and needs (*hajjiyah*) are as follows:

1. Necessity is more stringent than need because it involves doing something that is an absolute requirement and cannot be avoided, while need only serves to make things easier and can be abandoned if necessary.
2. Necessity, being rare and compelling, allows for actions that are typically forbidden, whether for an individual or a community. However, need does not grant exceptions unless it is a need of the general community, as individual needs are constantly changing and cannot be accommodated by specific laws.
3. Necessity, in its application, provides a temporary reprieve from the prohibitions outlined by the shari'ah, but this exemption ceases when the necessity dissipates and is restricted to the individual directly affected by the necessity. On the other hand, laws formulated on the basis of need do not supersede any textual rulings; instead, they deviate from the principles and analogical reasoning in Fiqh, aiming to establish permanent measures that benefit both the individuals in need and the wider community.

Need according to Imam Al-Juwaynī in his work *Al-Ghīyāthī* (Al-Juwayni I, n.d.),

1. Needs does not simply refer to a desire or enjoyment of something. He clarifies that it does not encompass the attainment of benefit, comfort, or luxury.
2. Needs refer to preventing harm and ensuring that people have access to the resources required to maintain their capabilities.
3. Failure to take the necessary steps in this regard can lead to corruption, either immediately or in the future.
4. He exemplifies this idea through a theoretical situation in which the entire earth becomes engulfed in prohibited matters, where all sources of sustenance become tainted, and individuals are unable to acquire lawful resources.

Gharār is divided into two categories, heavy and light *gharār* (Sahroni 2016). Prohibited *gharār* is heavy (*fāḥiṣ*). This type of *gharār* is prohibited because its uncertainty can be avoided and if it contains this element, it will cause disputes and animosity. On the other hand, light/minor *gharār* (*qalīl*) is allowed because this type of *gharār* cannot be avoided or is very difficult to avoid in business transactions. So its existence is understood as *ʿurf al-tujjār* (trader tradition) and no party is disadvantaged due to this *gharār*. In practice, light/minor *gharār* (*qalīl*) can be found in buying a house transactions, but the house cannot be seen because it has not yet begun construction, the number of days in the month is uncertain and so on.

Investment according to Islamic Commercial Law

Planning for the future is highly encouraged in Islam and should be practiced by Muslims, including through investment. Allah SWT gives an important example of the importance of planning for future needs in Surah Yūsuf verse 46 to 49 in the Qurʾān, the story of Prophet Yusuf AS. Prophet Yusuf AS was asked to interpret a dream about seven fat cows and seven healthy ears of corn being consumed by seven skinny cows and seven withered ears of corn. He explained that the dream represented seven years of prosperity followed by seven years of famine, during which the stored grain would be consumed. They should save a small amount for planting the next season. Finally, there would be a year of relief where rain would come, resulting in a fruitful harvest (Suyuti & Mahalli, 2007). The needs of future generations must be taken into consideration and this can be done through investment, especially for preparing for someone's departure. This is in accordance with the word of Allah SWT in the Qurʾān, in Surah al-Baqarah, verse 261 mentioned that those who spend their wealth in the cause of Allah SWT are like a grain of seed that produces seven ears, and each ear contains a hundred grains. Allah SWT increases the reward for whomever He wills. Surely, Allah SWT is All-Embracing and All-Knowing. The verse mentioned refers to the generosity of Uthman Ibn Affan, who brought wealth to finance the Tabuk war. In the Tafsir al-Mishbah, M. Quraish Shihab provides a fascinating interpretation that highlights the idea that humans

cannot fulfill all their needs alone. Therefore, they should assist one another and complement each other's skills, and that is why people are diverse and different, so that they can rely on one another (Shihab, 2011).

Investment is a form of commercial transaction which involves wealth where the original law for this matter is permissible from the perspective of shariah as long as it is not involved with prohibited elements. Every Muslim must pay attention to all forms of prohibited matters in Islamic commerce to ensure that every transaction carried out is in accordance with shariah law. Among the prohibited matters that Muslims must avoid are elements that are prohibited in religion such as gambling, *gharār* (uncertainty), oppression, *Ḥarām* (prohibited), invalid, *ihtikār* (monopolizing), and *ribā* (usury).

Gambling or *maisir* is any form of transaction that contains elements of unfairness to one party where it will harm one party and vice versa for the other party. This contains elements of violation in the principles of investment transactions in Islam where religion encourages and desires that both parties benefit. The strong prohibition against *maisir* can be found in verse 90 of surah al-Mā'idah whereby Allah SWT said to believers to be aware alcohol, gambling, offering sacrifices to idols, and using divination arrows are all impure deeds influenced by Satan. Therefore, stay away from them if you seek true success.

Zulm refers to all transactions that contain elements of oppression from one party to another, such as containing coercion on the object, price and quality. Therefore, all forms of *zulm* in investments are prohibited by Islamic law in accordance with the sayings of the Prophet SAW "Fear the acts of the oppressor, for indeed the acts of the oppressor are darkness on the day of judgment." (Al-Bukhari, n.d.).

Gharār or ambiguity of the object in transactions such as transactions that harm one or both parties because they do not know the weight or measurement. It is not allowed in investment if it contains elements of *gharār*.

Ḥarām refers to a type of transaction in which the object and source are forbidden to be utilized, eaten, drunk or the source of haram results. The Prophet Muhammad SAW said, "Indeed, Allah SWT, when He prohibits eating something, He also prohibits the profit from that thing." (Ahmad).

Ribā refers to any form of increase in a transaction that is done in a fraudulent manner. *Ribā* comes in various forms, including interest on the process of borrowing and lending, such as lending a certain amount with the condition that a certain amount of money be added as a return. It can also arise from non-cash transactions, such as credit sales with an interest element. *Ribā* is prohibited based on the Qur'ān and ḥadīth, and is even considered one of the worst sins that is most hated by Allah SWT.

Ihtikār, which means hoarding and stockpiling all of a particular commodity in the market with the intention of making the price higher and gaining illegal profits. It can also be translated as a monopoly and is prohibited by the Prophet SAW based on his saying in the ḥadīth because it harms the general public.

Illegal transactions such as fraud, counterfeiting, taking away someone else's rights, promoting an investment excessively to the point that it is unrealistic and almost impossible, are prohibited. There is a ban on transactions with illegal elements in Surah Al-Baqarah, verse 188. Therefore, when someone wants to make any investment, they should make sure that investment practices are protected from all prohibitions as explained above.

Research method

This is an empirical study to better understand the decisions made by the Muslim community in Singapore to take out a loan with interest for obtaining a house. The research method is qualitative, with data being collected through surveys and interviews. The qualitative methods proposed by Michael Quinn Patton involve three types of data collection: direct observations, open and in-depth interviews, and written documents (Patton M, 2002). This study aims to understand the society's

perspective on the matter of taking out loans with interest in their dealings of buying and selling properties in Singapore.

The research will be conducted in Singapore, which is a developed country where Muslims are a minority. The location is chosen because many Muslims are involved in this *ribā* transaction. Researchers have noticed this trend in Singapore.

1. The observation method allows the researcher to study people in their environment and understand both Muslim buyers and sellers as they engage in *ribā* transactions.
2. Interviewing is a way to understand the subject and a method to study behavior, decisions, and life experiences, as well as gather opinions from the interviewees. Through verbal interviews, the researcher can observe body language and behavioral tonation. Questions should ideally be open-ended in order to gather in-depth information.
3. Surveys are a method used to collect information from homeowners, buyers, sellers, and even housing agents.
4. Documentary research is an additional method used to support the analysis of information. The Qur'ān and ḥadīth will be the primary sources for understanding arguments and interpretation, as well as the implications of breaching the prohibitions from the Qur'ān and the sunnah. This will help to understand the principles and guidance provided by Islamic teachings.

Discussion and evaluation

A. The right to shelter in Islam

One of the major responsibilities of a husband is to provide housing and financial support for his wife according to his ability. This is as stated in the holy Qur'ān, in Surah at-Ṭalāq verse 6, “Lodge them (the divorced women) where you dwell, according to your means, and do not treat them in such a harmful way as to

make life difficult for them, in order to force them to leave.” The verse discusses the treatment of divorced women. It commands husbands to provide lodging and expenditure for them without harassment, especially if they are pregnant, until they give birth. If the mother breastfeeds the child, the husband should pay her fairly and without difficulty. If they cannot agree on the terms, another woman should be sought to breastfeed the child (Ibn Abbas, n.d., At-Talaq 6).

According to Sheikh Abu Bakar Syato (Syato, 2011), the aforementioned verse pertains specifically to a wife who has been divorced by her husband. In such a case, the husband is obligated to provide housing for his ex-wife. Consequently, it becomes all the more crucial for a wife who is still married to be given a place to reside.

In this regard, Sheikh Zainuddin also mentioned that the characteristics of housing that must be provided by the husband to the wife are those that are suitable for the wife from a cultural perspective (protected from the view of others to avoid being alone with her husband) and are safe, harmonious and secure from any danger to herself and her property when the husband is not at home. Furthermore, this housing is not just a desire but a necessity for the wife, even if the housing is rented or borrowed (Al-Uthaymin, 2004).

Similarly, the majority of scholars are of the opinion that a husband should provide a separate place of residence for his wife where no other member of the husband's family, such as his parents or relatives, resides with them. This is because it is feared that such a situation may cause harm to the wife and her property, as well as damage the relationship between the husband and wife. However, if the wife is willing to forego this right and agrees to live with the husband's family, then it is permissible. Conversely, if the wife does not agree, then it is the husband's duty to provide a separate place of residence for her (Ibn Abidin, M. A. 2006).

In summary, a husband must provide a place to live for his wife that meets the following characteristics, among others, as mentioned by Sheikh Wahbah al-Zuhaili (Sabiq, S. n.d.):

1. The husband must provide a suitable place to live based on his financial ability.
2. The husband must provide a special place to live for his wife and children. It is not permissible to gather together with the husband's parents or relatives unless the wife is content with sharing the same residence.
3. The husband must provide basic necessities in the house, such as bedding, cooking utensils, and a bathroom.

B. The *taklīfī* (defined law) elements based on *maqāṣid al-sharī'ah* Law that pertain to owning a house to live in Singapore

Securing a place to reside in the present-day society is a challenging task due to the exorbitant cost of housing, which is heavily influenced by factors such as the size and location of the property. This is particularly true in Singapore, where land is scarce. Additionally, Singapore operates as a secular state, which means that some of its policies may not conform to Islamic principles. As a consequence of the high cost of housing, rental prices are steep, which poses an unjust burden on those who cannot afford them.

Given that there is no clear fatwa in Singapore allowing the Muslim community in the country to take a *ribā*-based loan to purchase a home in Singapore, the closest example of a fatwa that can be considered is the fatwa issued to the European community. This is because Muslims in Singapore are also considered a minority, just like their counterparts in Europe and other Western countries. Although the legal rulings in Islam have been explained in the Qur'ān and also in ḥadīth, the laws may change due to certain factors such as circumstances, the public interest, and pressing needs, which can sometimes change the established laws, making the law opposite. This results in differences of opinion among scholars in evaluating a law.

Although there may exist alternative measures prior to resorting to declaring a state of emergency to the community, the imperative to execute natural values also warrants consideration. For instance, in the context of the nation-state, migration necessitates an array of diplomatic and logistical procedures. Consequently, it is evident that not all Muslim communities residing in the West possess the means to undertake such migratory movements. Hence, the following approaches are recommended for evaluating the authentic situation of each member of the minority Muslim community:

Firstly, all members of the minority Muslim community should continue with renting arrangements to ensure that they do not encounter the difficulties of finding rental accommodation, which larger families frequently encounter. Secondly, if the family consists of numerous members, then it is reasonable to opt for a cash purchase or purchase through Sharia-compliant loan agreements such as *Bay' murabaha*. Thirdly, in the absence of a Sharia-compliant loan agreement, migration is a recourse that must be taken to evade the shackles of usury to fulfill the need for housing. Lastly, if an individual is unable to migrate owing to reasonable constraints, then in such an emergency situation, it is necessary to adopt a view that necessitates usurious loans for the purpose of purchasing a house to be inhabited in accordance with the principle of necessity (*darūrah*), which seeks to avert harm, and the degree of necessity to be assessed accordingly.

C. The permissibility of engaging in *ribā* transactions in *Dar al-Harb* (Non-Islamic Country)

There are several questions that need to be asked before allowing something that is prohibited by religion such as taking a loan with interest for the purchase of a home. For example, whether the legal status of buying a house falls under the category of necessities (*darūriyyah*) or needs (*hajjiyyat*) since there are differences of opinions among the scholars on the matter (Ibn Bayyah, 2018). It cannot be denied that the need for shelter is considered a basic human right and therefore it becomes a

necessary law for Muslim minorities to have a place to live (Ibn Bayyah, 2007; al-Qaradawi, 2001). Sheikh Ibn Bayyah, a prominent Muslim figure, head of the Fatwa Council of the United Arab Emirates, head of the Forum for Strengthening Peace in the Muslim Community, and head of Al-Muwatta' Foundation in Abu Dhabi, believes that the purchase of a home is more appropriate to be categorized under the category of necessities because buying and selling is considered a needs (*hajjiyyat*), which is meant to help fulfill the necessity of having a place to live (Ibn Bayyah, 2018).

The viewpoint attributed to Imam Abu Hanifah and certain other scholars is recognized for allowing the utilization of null and void contracts, such as *ribā* transactions, in non-Islamic countries (*Dar al-Harb*) where Muslims constitute a minority. It should be emphasized that while the official statement of the League of Shariah Scholars did not explicitly address this stance, it was discussed in academic papers and deliberations on Islamic rulings leading up to the conference. In contrast, the concluding declaration of the European Council for Ifta' and Research explicitly acknowledges this principle.

By aligning the principle of necessity (*ḍarūriyyah*) with needs (*hājīyah*), the justification for permitting what is typically forbidden emerges. For instance, considering a home as an essential need that must be fulfilled, whether through renting or owning, and acknowledging the potential drawbacks associated with renting, there exists a collective need for Muslims in this regard to partake in such arrangements. This approach yields overall advantages and mitigates overall harm, thereby supporting the notion that engaging in usurious loans is permissible to secure these benefits and avert these harms.

The fatwa designates all Muslim communities residing as minorities in non-Islamic countries (*Dar al-Harb*) as a group facing an emergency situation, based on the principle of *al-hajah tunazzilu manzilah ad-ḍarūrah* (Suyuti, J. 1990). This principle of treating needs (*hājīyah*) as necessities (*ḍarūriyyah*) to permit the forbidden (*ad-Darurat tubīh al-maḥzūrāt*) extends beyond housing and encompasses

essential requirements such as sustenance, clothing, and anything else indispensable for people's lives. While certain transactions are categorically prohibited without any room for concessions, exceptions can be made when no other alternatives are available.

Utilizing interest-based loans for property acquisition is deemed permissible solely under circumstances of necessity or compelling need that is considered equivalent to a necessity. Consequently, it is essential to recognize that there exist distinct dissimilarities between the two contexts, thereby obviating the requirement to exclusively depend on the Hanafi perspective cited. According to the Hanafi view, the discussed transaction is inherently allowed regardless of whether it is conducted out of convenience and volition or due to constraint and necessity, as long as a Muslim finds themselves residing in a non-Islamic country.

Considering an alternative viewpoint, the Hanafi stance is specifically confined to the context of *dar al-harb*, which refers to non-Islamic countries, and it does not encompass *dar al-Islam*, where Muslims constitute the majority. Conversely, the second position applies to both *dar al-Islam* and *dar al-harb*. Consequently, the latter position, particularly when explicitly mentioned in the final resolutions while neglecting a reference to the former position, permits the application of this *ijtihad* (legal interpretation) in Muslim lands. This allowance is justified by the potentially more urgent need for it in such regions, where alternatives may be more limited. Thus, there is no justifiable basis for restricting the ruling solely to *dar al-harb*, as such specification lacks a solid foundation and amounts to an arbitrary decision without supporting evidence.

Some scholars, including those from the Hanbali school, hold the view that engaging in *ribā* transactions is permissible when there is a lack of trust or security between a Muslim and a non-Muslim. For instance, Majd al-Din ibn Taymiyyah stated in *al-Muharrar* that "*ribā* is prohibited in *dar al-Islam* and *dar al-harb*, except

between a Muslim and a non-Muslim who have no security between them. (Majd al-Din ibn Taymiyyah. n.d.)."

Similarly, some Maliki 'ulama' hold the view that this is considered as *makruh* (disliked) rather than *haram* (prohibited). Ibn Rushd stated in *al-Bayan wa al-Tahsil* (17/291), "Similarly, *ribā* with the non-Muslim in *dar al-harb* is *makruh*, and not *haram*, because since it is allowed for him to take from his wealth when he is not given security, it is not haram for him to deal with him in *ribā*. This is disliked since he has not taken the wealth in the way it was allowed for him to do so, but has taken it from him with a *ribā* transaction. (Ibn Rushd, n.d.)"

There are several ways for someone to fulfill the necessary need for owning a house, such as buying or renting. The situation of buying a house for Muslim minorities in places like Singapore and the West has faced difficulties due to the lack of shariah-compliant financing options, causing the Muslim community in those countries to be trapped in transactions that are prohibited by religion such as interest-based transactions. Therefore, in such situations, buying a house should not be the main way to solve the problem of obtaining a place to live, because the priority of avoiding transactions that contain elements of interest is of the utmost importance in safeguarding one's wealth (*hifz mal*) and such transactions also cause conflicts between harm and necessity (*mafsadah wa maslahah*). The principle of avoiding harmful transactions should take priority over anything else (Abdul Aziz K, 2000).

The background for the issuance of the fatwa requiring the purchase of a house using interest-based loans on the grounds of urgency needs to be refined, even though Islamic law is flexible and we acknowledge that there can be a shift from *al-hājiyah* (needs) to *ad-darūriyyah* (necessities). Each individual from the minority Muslim community needs to carefully examine the reasons for categorizing their situation as an emergency before making any transaction involving prohibited practices according to Islamic law. The leniency that requires minority Muslims to take out interest-based loans to buy a house on the grounds of urgency should not be

widely opened because it can be misinterpreted, taken lightly, and even worse, misused by those who want to take advantage of the lenient legal situation, making the prohibition of interest easy to ignore.

The minority Muslim communities face difficulties in owning a home because if renting is an option, the dwelling does not end with ownership and it also leads to rent continuing throughout life, making it possible for a person to not have a place to stay in their old age. There are also difficulties in renting for those who have a large family and the location of the rental home that will be used as a place of residence is usually not suitable for Islamic customs and this needs to be taken into account (al-Qaradawi, 2001). The aforementioned things justify the necessity for minority Muslim communities to buy a home through a loan that does not conform to sharia because the act of buying and selling, which is of *al-hajjiy* (needs) nature, has shifted to *ad-ḍarūriy* (needs) as a solution to fulfill basic needs in life, which is to have a place of residence.

In conclusion, from the discussion presented, we can see that a law established in religion as being forbidden can change to being mandatory based on the concept of *rukhsah* (leniency), which is a permissible concession, for the purpose of allowing a change to the law from the perspective of necessity and urgency. In the case of interest among the Muslim minority, the original law is forbidden until there is certainty that taking a loan with interest is the only solution to meet the basic need of having a place to live.

The conclusion of the discussion on the above topic can be summarized as follows:

- i. Providing a place to live is a necessity in Islamic law to protect wealth (*Hifz Mal*). While renting or purchasing a house is of the nature of necessity in realizing this necessity.

- ii. Necessity needs to be viewed from the perspective of an individual's ability, not the entire society, such as for minority communities. It needs to be viewed finely because the level of ability and desire of each responsible individual is very different

from one to another because an individual's circumstances are what make them given a legal easing for the reason that they have fallen into a state of necessity.

iii. A person's situation is in a state of necessity when there are no more options and there is no way out of the problems they are facing except for the matter to be practiced on the basis of the legal easing that has fallen upon them. However, the European Fatwa Research Council has ruled that the individual must consider all options as long as they are able to before making any loan for the ownership of a house that would bring them into the practice of *ribā*.

iv. The obligation of *rukhsah* (leniency) refers to the allowance of a certain flexibility in the application of legal rulings, particularly in cases where an individual finds themselves in a difficult or exceptional circumstance. This principle operates under the assumption that God does not intend to impose undue hardship on his creation and that, where possible, there should be some leeway in the application of the law. However, it is important to note that the application of the principle of *rukhsah* cannot be based on assumptions or negative expectations of someone. Rather, it is necessary to evaluate each situation on a case-by-case basis, taking into account the individual's specific circumstances and intentions (Qadri & Kamali M, 2013).

In summary, this issue has been widely debated by Islamic scholars for some time. In fact, there are two differing opinions from one scholar. The first view prohibits this transaction, while the second view requires *ribāwi* (usurious) transactions for the purpose of owning a home. This can be seen clearly from the perspective of al-Qaradawi (2001), who referred to his first fatwa as prohibiting this transaction, but later changed his position to deem it mandatory. From a broader perspective, this issue has been dealt with through fatwas that either require or prohibit the transaction. In summary, this can be seen in the following:

Table 1: Fatwas on the issue of taking loans with interest for the purpose of home ownership.

Taking loans based on <i>ribā</i> is permissible in the minority of Muslims.	Taking loans based on <i>ribā</i> is not permissible in the minority of Muslims.
Shaykh Yusuf al-Qaradawi (2001)	Majma' al-Fiqh al-Islami al-Duwali (1986)
Shaykh Ibn Bayyah (2007; 2017)	Rabitah al-Ulama' al-Suriyin (2016)
Assembly of Muslim Jurists of America (2011)	Abu Bakar Muhammad al-Nayjiri (2018)
Al-Majlis al-Uruba li al-Ifta' wa al-Buhuth (2018)	Ali Muhyiddin al-Qurrah Daghi (2020)
	Muhammad Sa'id Ramadan al-Buti (2020)

Based on the above table, it can be proven that the issue of purchasing a home based on a loan with interest among the minority of Muslims has received attention and reviews from various parties, whether to prohibit or require such loans.

The real estate investment business in the buying and selling of homes in Singapore is increasingly thriving among Muslim Malays, particularly in the purchase of second homes promoted by real estate agents in Singapore. This trend raises many issues as the prices of homes in Singapore are extremely high, with a house measuring 90 square meters with two bedrooms reaching SGD 400,000 (Oeni B, 2008). It is almost impossible to own a home in Singapore in cash. Therefore, Singaporeans are forced to take out loans to pay for the home they want to own.

There are two popular ways of taking out a loan among homeowners in Singapore, which are loans from the Housing & Development Board (HDB) and private banks. Loans from these institutions come with an interest rate, with the lowest rate being 2.6% (Phang SY, 2018). The estimated interest for a 30-year loan for a four-bedroom house is around \$10,000. This interest does not seem burdensome for the borrowers to pay as the amount is divided over a long loan period, as low as \$30 per month for 360 months (30 years). With this capability, many people decide to buy a second and subsequent house as an investment.

The investment referred to is renting out the property or selling it in the future because the housing market price is considered to continuously increase and also making the properties as inheritance for their children in the future. The laws in Singapore allow its citizens to own only one HDB (public housing) property. If they desire to own more than one, they are allowed to purchase private properties such as condominiums and landed properties in addition to HDB public housing. The increasing general luxury and middle-class population has increased pressure on Singaporeans to own private properties because they see it as better in quality compared to public housing. The increasing demand has received feedback from the government where Singapore is a state that sees the need to facilitate access as a negotiation term to support the government's economic priority model, a model that depends on material incentives and political acceptance of the single-party system (Wong, J., & Yap, J. F. 2003).

Housing in Singapore, as well as in other countries, is generally considered as an investment due to its believed continuously rising price caused by demand and supply. Therefore, many people consider it as a valuable asset to protect the value of their wealth. It starts from owning the first house. The price of the house is estimated to almost double after 5 years of ownership and then the owners will sell the house to buy a larger one or a second one due to the profit they have gained from the sale. There are some issues with this such as the first home purchase starting with a loan to buy the house, which contains an element of interest.

In Singapore, homeownership is not actually permanent, as properties are only leased for a period of 99 years before being returned to the government. Prime Minister Lee Hsien Loong addressed concerns about the lifespans of public housing during his National Day Rally speech on 19 August 2018. The majority of Singapore's population resides in Housing and Development Board (HDB) flats, many of which are approaching the halfway point of their 99-year leases. This has led to questions about issues such as decreasing property values and the concept of homeownership. PM Lee explained that 99-year leases are necessary to ensure

fairness for future generations, as it allows the government to redevelop the land and build new flats for them to purchase. If the government were to sell properties on a freehold basis, it would eventually lead to a shortage of land and create inequality between property owners and those who cannot afford to own a property (Wong, K. Y. 2018).

D. *Ribā* factors involved in property investments based on Muamalat Law

The buying and selling scheme for conventional properties involves financing and banks, and the repayment depends on the interest rate, while in Sharia-compliant properties, the financing scheme does not involve interest but rather profit-sharing. In conventional property transactions, there is only one loan agreement, which is the sale-purchase agreement, whereas in Sharia-compliant properties, agreements or contracts are highly prioritized in transactions.

The Shariah property system recognizes various types of agreements, including *murabahah* (sale-purchase), *ijarah* (rent), *ijarah muntahiyah bi at-tamlik* (rent-to-own), and *musyarakah mutanaqisah* (gradual ownership) (Ibn Abdullah M, 2018). These agreements are based on Islamic principles and have specific conditions and requirements that must be met to ensure their validity and compliance with Sharia law

The Shariah property system is a unique legal framework that governs property ownership and transactions in Islamic societies. It is based on the principles of Islamic law and ethics, which emphasize fairness, equity, and justice in all economic dealings. One of the key features of the Shariah property system is the recognition of various types of agreements that are used to facilitate property transactions.

One of the most common types of agreements in the Shariah property system is *murabahah*, which involves a sale-purchase transaction where the seller discloses the cost of the item being sold and adds a profit margin that is agreed upon by both

parties. This type of agreement is widely used in Islamic finance, particularly in the context of financing consumer goods and equipment purchases.

Another important type of agreement in the Shariah property system is *ijarah*, which is similar to a lease agreement in Western property law. Under *ijarah*, the owner of a property (the lessor) agrees to lease it to another party (the lessee) for a specified period in exchange for a rental fee. This type of agreement is commonly used in Islamic finance for various purposes, such as financing real estate, equipment, and vehicles.

Another type of agreement in the Shariah property system is *ijarah muntahiyah bi at-tamlik*, which is a form of rent-to-own agreement. Under this arrangement, the lessee pays rent to the lessor for a certain period, after which they have the option to purchase the property. This type of agreement is commonly used in Islamic finance to facilitate homeownership and other types of property ownership.

Finally, *musyarakah mutanaqisah* is a type of agreement that involves gradual ownership of a property. Under this arrangement, two or more parties agree to jointly own a property, with one party (usually the buyer) gradually buying out the other party's share over time. This type of agreement is often used in Islamic finance for real estate transactions, particularly in cases where one party cannot afford to purchase the property outright.

Overall, the Shariah property system recognizes and accommodates various types of agreements to facilitate property transactions in a manner that is consistent with Islamic law and ethics. These agreements are designed to promote fairness, equity, and justice in all economic dealings, and to ensure that property transactions are conducted in a manner that benefits all parties involved. Shariah and conventional aspects can be summarized in the following:

Table 2 : The Comparison between Syariah and Conventional loan

Item	Syariah	Conventional
Parties involved in the agreement	There are only two parties involved in a sale and purchase agreement (the seller and the buyer)	There are 3 to 4 parties involved in multi agreements, including buyer, developer, notary and bank.
Installments	The installment price (including profits) is stated at the beginning.	The installment price (includes both the principal loan and interest) based on the interest rate.
Collateral	Exist	Exist
Penalty	Not Exist	Exist
Seizure	Not Exist	Exist
Insurance	Not Exist	Exist

E. The ethics concept in generating Islamic economy

The prohibition of *ribā* is ethically motivated due to the violation of ethics that causes exploitation of others. This will certainly harm one side economically and the prohibition of interest is aimed at avoiding any harm to either party and to not make money a commodity but a means of exchange that generates goods. The same goes for *gharār*. Ethically, the prohibition of *gharār* is due to the unethical act of making transactions that are not clear and contain uncertainty for both parties. Economically, this will certainly harm one party and benefit the other party. *gharār* is prohibited with the aim of avoiding any transactions in the economy that result in harm due to not receiving rights, and to avoid disputes and animosity among those who transact.

The reality of today's world shows that it is no longer easy for Muslims to carry out their daily transactions perfectly in accordance with religious teachings. This is because the systems adopted by the majority of countries in the world no longer follow the provisions of Islamic law, leading to various violations in religion such as

interest, *gharār* (uncertainty) and *zulm* (injustice) in everyday human transactions. Therefore, Islam places great emphasis on ethics in its economy because it is closely related to aspects of human life such as social, cultural, and political. The practice of charging interest for loans has become a common habit in the modern and technologically advanced era, and Muslims are not an exception.

Islamic investment is based on the principles of Islamic law, both in the real sector and in the financial sector, so that the purpose or intention of speculation in business and investment must not conflict with Islamic law. All business activities are inevitably subject to uncertainty, which is the possibility of profit or loss. Uncertainty in this case is known as *gharār*. Operationally, *gharār* can be interpreted as both parties not having certainty about the goods that are the subject of the transaction, regarding quality, quantity, price and delivery time, so that one party feels that their rights have been violated. The objective of the prohibition of *gharār* is when an activity or condition can cause loss, disputes, and animosity between the parties involved. However, the prohibition of *gharār* applies to *muawadah* (business) transactions and does not apply to *tabarru'* (social transactions), and the *gharār* referred to in this chapter is the uncertainty of profit or loss in business and investment.

The moral values taught by Islam have stability and firmness as stated by Allah SWT in the structure of Islamic teachings in the form of commands and prohibitions. What Allah SWT commands is good and therefore it must be done, while what He prohibits is evil and therefore it must be abandoned. Meanwhile, Islam also provides punishment to maintain this ethics.

Religion provides guidance on how to practice morality (ethics, manners). It is religion that gives moral laws and therefore it is religion that provides the ultimate punishment for all moral actions. Meanwhile, Islam teaches a set of worship practices, such as prayer, aimed at building and guiding man to reach a high level of noble and virtuous moral quality.

Islamic economics is a field of study that focuses on ethical values and principles in economic activities. The ethical framework of Islamic economics is derived from the Qur'ān and Sunnah, which provide guidelines for economic behavior and transactions (Kamali M H, 2008). According to Islamic ethics, economic activities should strive to promote justice, fairness, and welfare for all members of society, while avoiding activities that harm society or individuals (Chapra M, 2008).

A core principle of Islamic economics is the prohibition of *ribā*, which refers to interest-based transactions. *ribā*-based transactions are considered exploitative and unethical by Islamic economists, as they create a burden of debt for the borrower. Instead, Islamic economics advocates for profit-and-loss sharing arrangements, where both parties share in the risks and rewards of an economic activity (Choudhury, 2010).

Another important ethical principle in Islamic economics is zakat, which mandates the giving of a portion of one's wealth to those in need (Iqbal & Mirakhor, 2012). Zakat serves as a means of redistributing wealth and reducing poverty in society.

Furthermore, Islamic economics emphasizes the significance of ethical behavior in all economic activities, such as honesty, transparency, and accountability (Chapra, 2008). These values are crucial for establishing trust and confidence in economic transactions and ensuring that they benefit society as a whole.

Overall, the ethical principles of Islamic economics strive to promote economic justice, fairness, and welfare for all members of society. By following Qur'ānic and Sunnah guidelines, prohibiting *ribā*-based transactions, promoting profit-and-loss sharing arrangements, emphasizing the concept of zakat, and promoting ethical behavior in economic activities, Islamic economics aims to create a sustainable and equitable economic system that benefits individuals and society as a whole (Iqbal & Mirakhor, 2012).

Emergencies should not be taken advantage of, so opportunities should not be taken advantage of during such circumstances. The interest-bearing loan should be taken as minimally as possible, not the opposite. Emergency means that if there is no halal way to relieve the forced situation, and only some haram ways exist, such as taking an interest-bearing loan, then one must choose the lighter harm and not blatantly violate the basic principles in Islam.

It is clearly evident throughout human history that interest is an extremely immoral and destructive factor from various aspects. Despite this, people still practice it and in this case, the Muslim community is not exempt. The factors that influence the Muslim community worldwide and specifically in Singapore consist of social, cultural, psychological, and personal factors (Dapus, 2017). Knowledge also plays a very important role in everyday human life, especially in transactions between people, as it is not detached from the law of religion. When this is taken lightly, undesirable things will happen, such as making interest-based loans a lifestyle, equating interest and trade, making it a competition of living standards among each other without paying attention to the laws established by religion. Lack of knowledge about the matter of interest causes a Muslim to not feel guilty or afraid when making interest-based transactions.

Although the original law of prohibiting something has been established by Islamic law such as *ribā*, Islam still gives leeway to its followers to do things that are forbidden by religion if they have a valid reason for violating the law. Discussions about this can be found in the subject of *maqasid al-syariah* which is the goal that Islamic law wants in legislating a law to ensure the welfare of humanity. Thus, the matter of *ribā* in the home purchasing transaction is also related in the subject because it is necessary to look at the matter more broadly.

The need to consider all aspects related to the matter so that the reason for violating the Islamic law is truly valid and forgiven by the Islamic law. Such a thing requires very high honesty from each Muslim because it involves violating a law

established by Allah. As in the case of *ribā*-based loans in the home purchase transaction, it is necessary to ensure that the type of home that one wants to own through a loan that violates Islamic law is based on needs and wants, not wishes. Therefore, the size, location, and price of the house must be emphasized so that a person does not move from an emergency situation to no longer in an emergency situation because the choice of the house is based on his wishes, not his needs and abilities.

Despite being aware of the prohibition of *ribā*, some Muslims still take it due to the perception that the more is better because it increases their assets. Psychological factors play a role here because these individuals have the attitude that more is better. It is said that through this investment, one can achieve passive income through renting it out. There are also those who intend to sell it in the future because they believe that the housing market price will continue to rise. Many choose not to pay off the loan for the house they bought even if they have the ability to do so because they consider it a loss, as the money can be used as a down payment for another house. Islamic scholars also give encouraging words to the Muslim community to become wealthy for the sake of upholding the religion. Therefore, according to the writer, the things mentioned are very important and need to be studied more deeply so that researchers and society as a whole can benefit from the research to be conducted. If each individual is aware of the prohibition of interest and takes action accordingly by not engaging in interest-based transactions or taking it as little as possible due to pressing needs, a general change will be seen and its consequences can be observed. This is in line with verse 11 of Surah Ar-Ra'd, where Allah SWT says that He will not change the condition of a people until they change themselves.

In essence, refraining from engaging in corrupt transactions, such as *ribā* in *dar al-harb*, may result in economic weakness and financial loss for a Muslim who adheres to Islam. This seems to contradict the basic principle that Islam strengthens rather than weakens Muslims, increases their well-being rather than diminishing it, and provides benefits instead of causing harm.

Surah al-Baqarah verse 278 and 279 Allah SWT instructs His faithful followers to have a reverential fear of Him and warns them about anything that may lead to His anger or displeasure. In the Quran, it is mentioned that those who owe or deal in *ribā* (interest) should abandon it upon hearing this warning. Ibn Jurayj reported that Ibn Abbas said that Allah SWT and His Messenger SAW declare war against those who engage in *ribā*. On the Day of Judgment, people who consume *ribā* will be ordered to take up arms for war. If anyone continues to deal in *ribā*, the Muslim leader should ask them to repent, and if they still refuse, the leader should execute them. However, if one repents, they should receive only their original capital, without any increase or decrease. Prophet Muhammad SAW declared during his Farewell Hajj that all cases of *ribā* from the time of Jahiliyyah were annulled, and people should only receive their capital back without any additional amount (Kathir, 2000).

These verses are a reminder to believers to fear Allah SWT and abstain from engaging in usury or interest-based transactions. They are urged to give up any remaining interest owed to them as a sign of their faith. The verses warn of the consequences of not doing so, including facing war from Allah SWT and His Messenger SAW. However, the repentance and returning of the principal amount can prevent harm and wrongdoing.

5. Irsyad from Majlis Ugama Islam singapura (MUIS) (Image 1)

The summary of MUIS's response to an inquiry about the permissibility of taking a loan with interest to buy a house in Singapore is as follows: they believe that the ruling on house loans is dependent on individual needs and that it is up to each person to evaluate their own needs. As the prevailing financial system involves *ribā*, it would be challenging to live in Singapore while adhering to a strict interpretation of Islamic rulings on *ribā*, unless an alternative system is established. Islam takes into account the context and circumstances that Muslims face, and emphasizes avoiding hardship and difficulty, as stated in the ḥadīth narrated by al-Bukhari: "Indeed, the

religion is easy, and not one of you should make the (affairs of the) religion difficult, or he will be defeated."

As there are no shariah-compliant options available for home mortgages in Singapore, it is permissible for a Muslim to take a home loan with interest to buy a house. It is worth noting that most Singaporeans purchase their houses from HDB, which offers loans on a cooperative basis. In this case, it can be viewed as a necessity (*dharurah*), and taking out a loan from HDB is permissible under the principle that necessities override prohibitions in Islam. However, as in all aspects of life, moderation is encouraged in Islam, and when purchasing a house, one must consider their financial capabilities to finance the loan. It is essential to be mindful of one's financial obligations and not purchase anything beyond one's means.

6. Interview a local prominent scholar

The reply was followed up by an interview with a prolific scholar and writer in Singapore, Ustaz Dr Muhammad Haniff bin Hassan, who has contributed to a variety of articles in Berita Harian and The Straits Times, and has also published several pamphlets and books such as "Moderation in Islam in the context of Muslim Community in Singapore" and "Minority fiqh of Muslims from the perspective of two contemporary scholars, Yusuf al-Qaradawi and Sulaiman Tubuliyak". The following are the interview questions, followed by a summary of the interview details.

1. In general, what is your opinion on taking a loan with interest for needs and luxuries?
2. In the Singaporean context, where the property market is at its peak and most homeowners are working couples, should Muslims minimize or maximize a loan to buy a house?
3. How do you define Darul Islam when a non-Muslim country with a minority Muslim community is considered Darul Harbi?
4. What is your personal advice to a Muslim in Singapore who wants to take a loan with interest to buy a house for their needs and investment?

In Singapore, the conventional method of getting a home loan involves interest, which is considered *ribā*. However, it is permissible to take out such a loan if it is necessary to meet the basic need of having a house, as determined by the concept of *maslahah ammah*, or the common good, rather than individual interest. This is because there are currently no Islamic financial mechanisms in place that could provide Muslims with a viable alternative to interest-based housing loans. However, it is important to note that the absence of an interest-free option does not make it mandatory for every individual to choose this method. If an alternative avenue for obtaining a housing loan without interest becomes available, Muslims may choose to explore it, but the permissibility of taking out a conventional home loan would still depend on the necessity of having a house.

Enforcing a strict rule for Muslims to rent houses to avoid *ribā*-based housing loans could potentially have negative consequences on the community's economy. Such a decision may not be wise as Islamic rulings, or *Hukum*, are based on a thorough consideration of various factors, including the advantages and disadvantages of different options. Renting a house for many years may end up costing more than taking a housing loan with interest, which can have lower monthly repayment installments. Moreover, past observations show that rental fees tend to increase over time, and renters don't end up owning the property they pay for, unlike homeowners who can earn a profit by selling their houses. Therefore, it may be more beneficial for Muslims to have the option to choose between renting and owning a house, based on their individual circumstances and needs.

The informant noted that buying a smaller house to minimize interest is not a viable strategy due to the fact that houses in Singapore do not meet the minimum habitable living space requirements. The questioner found that the statement can be supported by the guidelines provided by the United States Department of Housing and Urban Development (HUD) for minimum space requirements for different types

of housing (HUD, 2021). HUD guidelines state that a dwelling unit should provide a minimum of 28m² of living space for a single adult, with an additional 14m² for each additional adult. For efficiency units, a minimum of 19m² of living space is required. Additionally, each dwelling unit should have at least one habitable room with a minimum area of 13.9m², and all other habitable rooms should have a minimum area of 9.3m². Therefore, buying a 1 to 4-room HDB flat (19m² to 90m²) does not make any significant difference and still falls under *darūrah*. The only reason to consider buying a bigger house, such as a jumbo flat with 7 bedrooms (200m²) or a 5-room flat (100m²) for the newlyweds, would be to satisfy personal preferences which might fall into luxury, no longer necessity. Future planning should also be considered, such as the possibility of an increase in the number of people living in the house and to avoid the inconvenience of relocating in the future.

Islam is a faith that places a great deal of emphasis on the importance of making sound judgements. As such, it recommends its followers to carefully evaluate the data that is available before making any decisions regarding *hukum* (judgement). While it is true that data can be speculative in nature, particularly when attempting to project or extrapolate future events, it can still serve as a valuable source of support for making sound judgements.

When asked about the meaning of *Dar al-Islam* and *Dar al-Harb*, Dr. Haniff no longer held the same view and directed the questioner to his book "Moderation in Islam in the context of Muslim Community in Singapore". The book explains that currently, there is no country, whether Muslim or not, that fully meets the conditions for Muslims to practice their religion without any issues. Therefore, wherever Muslims go, they must work towards creating an ideal Muslim community (PERGAS, 2004). Dr. Hanif also argues that this supports the idea of leniency (*rukhsah*) in some religious practices for Muslims, while acknowledging that piety is still the recommended approach, but it should not be enforced as a general rule for the Muslim community.

When it comes to purchasing a house for reasons other than basic necessity, such as taking out a loan with interest to buy a second house for investment purposes, Dr. Haniff believes that it is allowed (*mubah*). He cites the rulings of the Hanafi school of thought, which is considered the most lenient, stating that as long as a Muslim resides in a non-Muslim country (*Dar al-Harb*) where interest is imposed on them, Muslims are permitted to conduct transactions involving interest to the same extent as non-Muslims. Dr. Haniff also recommends that Muslims try to own freehold land if possible, as it allows the owner to possess it indefinitely and helps to strengthen the Muslim economy in the long run.

7. Survey on the views of the Singaporean Muslim Community

Explanations in detail on the findings obtained during the research conducted to understand the perspectives of the Muslim community in Singapore towards taking interest based loans for the purpose of purchasing property in Singapore. After the data collection process was completed, it was measured using a Likert scale. Next, it will be analyzed descriptively using simple percentages. The accuracy of the research results is highly influenced by the responses given by the respondents when answering the survey questionnaire distributed to them via google form.

The study results are presented in the form of pie charts that show percentage values to facilitate researchers in making comparisons and conclusions. Each interpretation of the data report is written below each table to facilitate readers in understanding and making references to the study's findings, and the study's conclusions will be explained according to specific sections. The descriptive information of the respondents below is the result of a study conducted by the researcher using the selected research tool.

Two sets of survey forms were distributed to different groups of respondents, namely housing agents and the general public. Following is the 5 questions survey outcome received from housing agents:

1. The data presented in Chart 1 provides information about the distribution of respondents based on their years of working experience as property agents. The information is based on a survey that was conducted, with a total of 35 individuals completing the survey questionnaire. The individuals were obtained through simple random sampling, which means that each individual had an equal chance of being selected.

As per the chart, it can be observed that 50% of the respondents have been working for more than 10 years as property agents. This indicates that a significant proportion of the respondents have a considerable amount of experience in the field, which may potentially influence their responses to the survey questions.

On the other hand, the remaining half of the respondents have work experience ranging from 1 year to 10 years. This suggests that the other half of the respondents are relatively new to the field of property agency and may have a different perspective or approach towards the issues addressed in the survey.

Overall, this information provides an insight into the experience level of the respondents and highlights the importance of considering the diversity of experience when analyzing the results of the survey.

2. The statement refers to Chart 2, which presumably provides data on the number of clients served by a property agent and their property ownership status. According to the chart, almost 60% of the property agent's clients who were homeowners owned more than one property.

This information suggests that a significant proportion of the property market is owned by a relatively small number of individuals or entities. This could have implications for the housing market, as those who own multiple properties may have greater bargaining power and be able to influence prices and demand.

It is also possible that the property agent in question specializes in serving clients who own multiple properties, which could skew the data somewhat. Without additional information on the sample size, demographics, and methodology used to

collect the data, it is difficult to draw definitive conclusions about the broader trends in property ownership

3. The statement refers to Chart 3, which presumably provides data on the preferences of clients of a particular organization regarding loan financing for their house. According to the chart, half of the clients surveyed indicated a preference for not taking out a loan to finance their house and paying in full cash. Meanwhile, a few clients chose to maximize their loan, which implies borrowing the maximum amount possible.

This information provides insights into the mindset and financial habits of the organization's clients. It suggests that a significant proportion of their clients may be financially stable and able to afford to pay for their homes without taking on debt.

On the other hand, those who chose to maximize their loan may have different financial goals, such as investing their cash elsewhere or taking advantage of low-interest rates to maximize their returns. This could also reflect a willingness to take on debt and manage it responsibly to achieve their desired outcomes.

4. The statement refers to Chart 4, which presumably provides data on the advice given by respondents to their clients when buying a property. According to the chart, 75% of the respondents are mostly customer-oriented, meaning they will act according to their clients' wants. The data also shows that more respondents suggest that their clients maximize future profit rather than prioritize paying their house in full.

This information provides insights into the approach and priorities of the respondents in providing advice to their clients when buying a property. The fact that 75% of respondents are customer-oriented is a positive trend as it shows that they prioritize the needs and wants of their clients above all else, which is a desirable quality for a property advisor. This can help build trust and foster long-term relationships with clients.

The data also shows that more respondents suggest that their clients maximize future profit, which suggests that they may be more focused on investment and

growth potential rather than immediate financial security. This can be a beneficial approach for clients who are interested in growing their wealth through property investments. However, it is important to note that this approach may not be suitable for all clients and that advisors should consider the unique circumstances and goals of each individual before providing advice.

Overall, Chart 4 provides valuable insights into the approach and priorities of property advisors when providing advice to their clients. The data can be useful for both property advisors and clients in understanding the trends and preferences in the industry and making informed decisions accordingly.

5. The statement is describing Chart 5, which shows the results of a survey conducted among respondents regarding their opinion on whether interest on housing loans is considered as *ribā* (interest prohibited in Islam) in Singapore.

According to the chart, 75% of the respondents surveyed do not consider interest on housing loans in Singapore as *ribā*, meaning they do not believe it is prohibited by Islamic law. On the other hand, 25% of respondents believe that interest on housing loans in Singapore is *ribā*, meaning they believe it is prohibited by Islamic law.

It is important to note that this is only the opinion of the respondents surveyed and may not reflect the views of the wider Muslim community in Singapore or elsewhere. Additionally, opinions on what constitutes *ribā* can vary among different schools of Islamic thought and individual interpretations of Islamic law.

The following are the particulars pertaining to the second batch of survey forms that were disseminated to the public: The survey involved 40 Muslim respondents who were all living in households with at least 4 family members, owning a 3-room HDB flat or larger, and were at least 30 years old. The majority of the participants had tertiary education and had taken HDB loans to finance their home purchases.

The respondents were asked two main questions, both of which elicited a negative response. The reasons cited for this included the unmet needs of the participants and the lack of better alternatives available to them. The questions are as follows:

1. Do you and your property agent discuss the Islamic rulings (*hukum*) pertaining to the sale and purchase of the property?
2. Do you think taking loans on interest to own a property in Singapore is considered as *ribā*? Why?

The survey results can be summarized as follows: The statement suggests two separate issues related to Islamic law and property transactions in Singapore.

Firstly, it states that the general public does not attach much importance to the prohibition of interest-based loans in Islamic law. This means that most people in Singapore, including Muslims, may not consider it a significant issue or may not be aware of the religious prohibition of interest-based loans. As a result, they may not be actively seeking out Shariah-compliant financial products or advice from Islamic scholars or experts when making property purchases.

Secondly, the statement suggests that housing agents in Singapore may not be at liberty to discuss the relevant Islamic rulings on property sales and purchases with their clients. This could be due to a lack of knowledge or training on Islamic finance and Shariah-compliant products or restrictions imposed by their employers or regulatory bodies. As a result, Muslim clients may not be able to make informed decisions about their property purchases or may need to seek advice from external sources.

These two issues could potentially lead to a gap in the market for Shariah-compliant financial products and services in the property sector in Singapore. However, it is important to note that this is a general statement and may not apply to all individuals or companies involved in property transactions in Singapore.

Conclusion

The provision of shelter is a fundamental human right, and there are varying opinions among scholars regarding the taklīfī elements based on *maqāṣid al-sharī‘ah* law, concerning the permissibility of engaging in *ribā* in property investments during times of necessity based on Muamalat Law. Despite this, it is generally recommended that individuals strive for piety and uphold religious principles, especially with regard to the prohibition of *ribā*. The Qur’ān, in Surah Al-Baqarah verses 278-279, addresses believers and exhorts them to fear Allah SWT and abstain from *ribā*, warning of severe consequences for those who engage in such practices. Islamic law is characterized by its flexibility and universality, allowing for adaptation to various circumstances. Nevertheless, Muslims should prioritize adherence to Allah's teachings and the example of the Prophet Muhammad SAW over personal desires or worldly concerns, as failure to do so may lead to religious manipulation and the displeasure of Allah SWT.

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APPENDICES

Image 1

Dear Mr Ilyas,

We thank you for your query. We are heartened by your efforts in strengthening the deen of Islam.

The ruling on taking House loans is back to the question of needs and it is up to the individual to assess their needs. This is the current financial system that prevails and unless there is an alternative which does not involve riba', then it will be very difficult and almost impossible to live in our current context following a strict interpretation of Islamic rulings on riba'.

Islam and its laws take into serious consideration the context and circumstances which Muslims find themselves in. Islam calls for the avoidance of hardship and difficulty "Indeed, the religion is easy, and not one of you should make the (affairs of the) religion difficult, or he will be defeated." (Hadith narrated by al-Bukhari).

Hence, it is permissible for a Muslim to take home loan on interest to buy a house in Singapore as there is no Islamic mortgages available neither nor a housing loan in which is shari'ah compliance.

It should be noted that most Singaporean or residents buy their houses from HDB hence the HDB also gives out loan which is more of a cooperative base.

We will view this as a case of dharurah (Necessity) and one is permissible to take out loan from HDB based on the principle of necessities overrule prohibition.

In Islam we are always encouraged to be moderate. In buying a house we must also look at our capability to finance the loan. We should be mindful of our Financial obligation and do not purchase anything beyond our means.

Allah knows best.

If you have any other enquiries, please email us at info@muis.gov.sg or via our Online Feedback Form at www.muis.gov.sg. Please do not reply directly to this email.

Best regards,

Khairul

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Chart 1: Years of working experience as a property agent

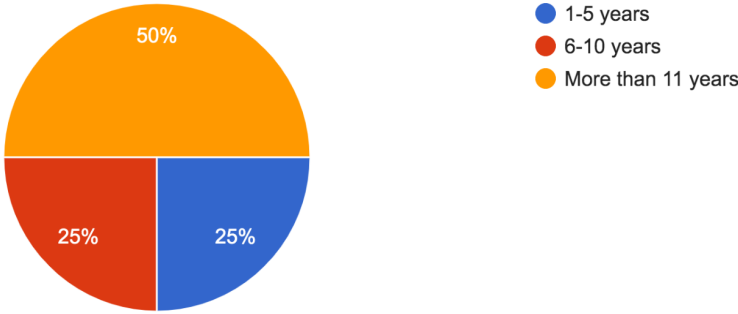


Chart 2: How many of your Muslim clients own more than one property?

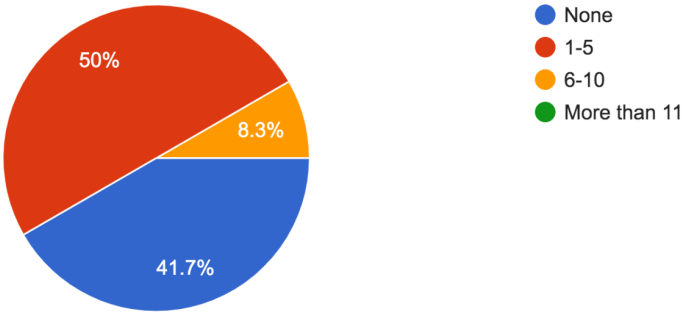


Chart 3: Based on your experience, you found that Muslim community in Singapore when buying or selling property, they more incline towards

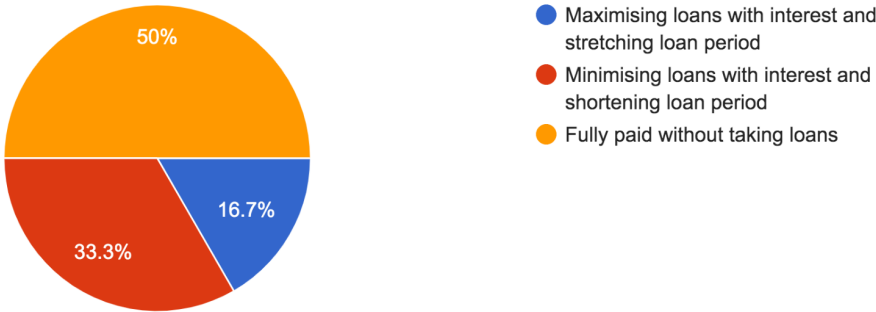


Chart 4: If your client is a Muslim, how do you advise them with regard to buying a property?

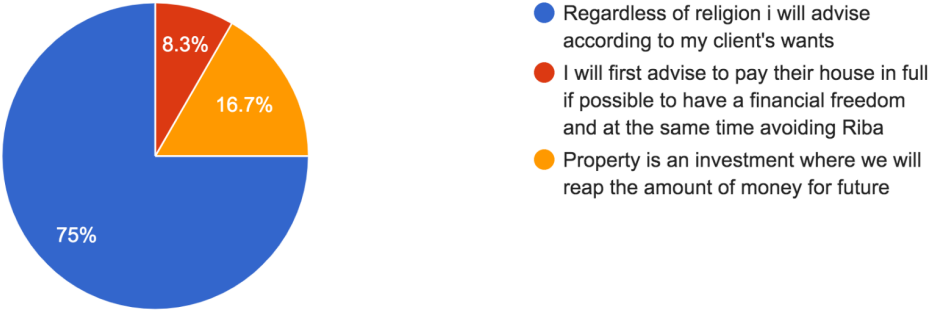


Chart 5: In your opinion, does interest on housing loans consider *ribā*?

