

THE ADJUSTMENT OF INTEREST TO THE LOSS OF CAPITAL

Q: 19- "Thank you for your answer to my question which appeared in November 1991 issue, concerning the adjustment of the interest amount to the loss of principal in the BCCI. Please clarify whether the interest received from another source other than BCCI can be adjusted against loss of capital in BCCI? (M. S. Desai, Saudi Arabia)

A: No, the interest received from any other source cannot be adjusted against loss of capital in BCCI. The principle underlying my former reply is that any amount received from a debtor is always taken in Shariah as part payment of the principal, even though the debtor has paid it in the name of interest. This principle will apply only so far as an equivalent of the principal amount is not received by the creditor. But after the payment of principal is complete, any excess shall be treated as interest and it will no longer be valid in Shariah to claim it from the bank.

But this principle is applicable only where the interest is paid by the same debtor who owes the principal. If the principal is deposited in the bank A and the interest is paid by the bank B, the interest, in that case, cannot be adjusted against the loss of principal deposited with bank A.

Contemporary fatawaa