



Department for Business, Innovation & Skills

A Sharia-compliant alternative finance product for student – consultation response form

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is **12/06/2014**.

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	Advisory/consultancy
	Academia
	Business representative organisation/trade body
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	Individual
	Large business (over 250 staff)
	Legal representative
	Local Government
	Medium business (50 to 250 staff)
	Micro business (up to 9 staff)
	Small business (10 to 49 staff)
	Trade union or staff association
x	Other (please describe) Voluntary Association

Question 1 (refer to relevant paragraph numbers in consultation document)

To what extent, if any, are you aware that students with religious objections to the charging of interest have been affected by the changes in tuition fees and student loans? Please illustrate your answer with any specific examples you may have

No impact some impact large impact Not sure

Comments:

British Muslims are a youthful population in an ageing society in the UK; with 75% of Muslims aged under 35. Studies have shown that Muslims need a higher level of education in order to have a chance in the labour market, and so increasing numbers of Muslims in full-time education would be a positive development.

“In order to improve the engagement of Muslims with the labour market, and to enable them to better access employment opportunities, policy needs to better address ways to further the aspirations of Muslims, through careers advice, developing their skills and improving their access to education and training.”
(Open Society Institute: British Muslims and the Labour Market, 2005)

The 2011 Census indicates that there are 414,245 Muslims in the 16-24 age group, with 11% with no qualifications and 15% with Level 4 (a degree and above). In the Hindu population, this is 4% and 31% respectively. Whilst there are many factors likely to affect this disparity, among them could be religious objections to taking student loans under the current system. However, further research is required to validate this view.

Prior to September 2012, some Muslim students were able to self fund their cost of university either through borrowing from family members or from their own savings. With the increase in tuition fees of up to £9000 post September 2012, Muslim families have found it much more difficult to afford these costs and are left with limited options. They can either forgo higher education, or take out a student loan that is incompatible with their beliefs.

Access to university is essential for increasing widened life experience and social cohesion, with educational attainment a key factor in enabling social mobility. Reduced access gives opportunity for social polarisation. 1 in 3 of the Black, Asian & Minority Ethnic (BAME) population is Muslim. Factors that affect the social mobility and life opportunities for Muslims impact on the wider BAME community.

Question 2

Do you believe that there would be demand among students and potential students for an alternative finance product which was Sharia-compliant?

Yes No Not sure

Comments:

Many of the Muslim students and families, who are currently forgoing university due to the conflict between taking out a student loan whilst adhering to their faith, would no longer have any religious objections – should the alternative be deemed as Sharia-compliant by mainstream British scholars.

Similarly, many of those Muslim students taking out loans under the current system are likely to prefer the alternative system. We believe the demand of Muslim students accessing higher education would increase with such provisions.

Question 3

Q3: Do you believe that students will be satisfied with the opinion of a Sharia advisory committee as to the Sharia-compliance of an alternative finance product?

Yes No Not sure

Comments:

As the British Muslim community is a diverse body encompassing a range of points of view, it is difficult to guarantee widespread agreement. However, the majority would welcome a sharia-compliant product that has expert endorsement.

In order to try and obtain widespread support, the Sharia advisory committee should ideally be made up of a representative panel of competent British Muslim scholars, who can confirm that the alternative model is acceptable to Islamic experts in financial jurisprudence. This would ensure the British Muslim community largely has confidence in the model.

Questions 4

Q4: Do you believe that students whose faith has resulted in concerns about the interest rate on traditional loans would find this alternative finance product acceptable? If not please provide an explanation.

Yes No Not sure

Comments

Further to the response of question 3, if the panel of the Sharia advisory committee are made up of a range of Islamic scholars (encompassing different schools of thought) who command respect in the British Muslim arena, the wider Muslim grassroots would take their advice on board.

Many Muslims would not delve into the details, terms and conditions of sharia compliant products. It is highly likely that the majority of Muslims would follow the advice of the Sharia Advisory Committee in translating and explaining the permissibility.

Questions 5

Q5: Do you believe that the working of the proposed alternative finance product would be understandable to students?

Yes No Not sure

Comments:

Our understanding is that the finance product the Government has identified is based on the 'Takaful' structure, which is often used in Islamic finance to allow groups of people to

provide mutual finance assistance to members of the group. The model's underlying principle is one of communal interest and transparent sharing of benefit and obligation, with the repayments of students participating in the fund being used to provide finance to future students who select to join the fund. This ensures that all members of the fund benefit equally from it.

Whilst the principles involved are straightforward, the details of any sharia compliant finance model can be quite difficult to understand. Many Muslims may not fully understand the concept of Takaful nor the restrictions of riba and qimr.

Any final model would need to be well illustrated, with practical examples. Graphics such as those on page 13 of the consultation document would be welcome, to visually depict the workings of the system. Furthermore, more detail needs to be provided on what happens should a student default on his/her loan or if the mutual fund fails.

Questions 6

Q6: Do you believe it will be clear to students why this alternative finance product is Sharia-compliant? If not please provide an explanation

Yes

No

Not sure

Comments:

It is essential to provide greater detail on the workings of the proposed scheme in jargon free terms, along with demonstrating how it differs from the current system. Support would be there in principle for a sharia compliant model, but the final details of the model would require broad based scholarly approval. It is essential that the final model remains gratuitous (contribution based) and does not become commutative (compensation based), as this would no longer be sharia compliant.

Statements of support from mainstream scholars should be published and incorporated as part of the final product. The majority of students will rely on these statements along with the comments of the advisory committee to explain how this alternative adheres to sharia principles.

Do you have any other comments that might aid the consultation process as a whole?

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

The recognition that some sections of society are at a disadvantage because of the present student loan schemes is to be commended. Faith compliant schemes will make an impact on the attainment of qualifications and social mobility within disadvantaged communities.

The need for an alternative is evident; however the current proposed model does require further elaboration, alongside greater consultation with the Muslim community at large in order to ensure sharia-compliance, alongside widespread support and take up.

Thank you for your views on this consultation.

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply x

At BIS we carry out our research on many different topics and consultations. As your views are valuable to us, would it be okay if we were to contact you again from time to time either for research or to send through consultation documents?

x Yes

No

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