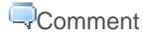


Muslims in Britain Demand Sharia-Compliant Student Loans

by [Soeren Kern](#)

August 29, 2011 at 5:00 am



Muslim students in Britain are protesting government reforms to higher education that would raise tuition and increase interest rates on student loans.

Muslims say the changes are discriminatory because Islamic Sharia law prohibits them from paying interest on student loans. They are now demanding that the British government put in place a scheme that would enable Muslim students to finance their degrees in a way that complies with Islamic principles.

The dispute over interest-bearing student loans follows stepped-up demands for Sharia-compliant banking and insurance as well as credit cards, mortgages and pension funds. Taken together, they reflect the gradual establishment of parallel Islamic financial and legal systems in [Britain](#) and other parts of [Europe](#).

A long-awaited review of higher education in Britain, also known as the [Lord Browne Report](#), recently concluded that raising tuition and shifting the financial burden from taxpayers to graduates was the best way to ensure the financial sustainability of the British university system.

As part of the reforms, the new system requires graduates who earn above £21,000 (\$35,000) to pay interest on student loans of up to 3 percent above inflation.

According to the London-based [Federation of Student Islamic Societies](#) (FOSIS), this is unacceptable for the estimated 90,000 Muslim university students in Britain. In an [interview with the Independent](#) daily newspaper, a FOSIS spokesman said: "Under Islamic law interest is seen as something that is prohibited. Previously, the interest rate was at the market rate of inflation. The problem now is that the interest is above the market rate. Because the rate of interest is above the rate of inflation, it is quite blatant usury."

FOSIS says young Muslims are unfairly being forced to abandon certain principles required by their faith in order to attend university. Others could be forced to sacrifice higher education as a result of the higher rates of interest.

One Muslim [student interviewed by the Independent](#) said the increased tuition fees will deter him from applying to university next year. "I'm Muslim and loans are against my religion," he said.

FOSIS is working with the [National Union of Students](#) (NUS) to formulate an alternative to interest-bearing student loans. "It is important that we ensure complete equity for Islamic students but disappointingly the final framework looks unlikely to be in place until the 2013/14 academic year," according to a NUS spokesman.

One idea being considered is a new kind of loan scheme where education could be "rented" in a manner similar to Islamic mortgages, where banks buy properties and then lease them to the customer in a rental agreement.

The controversy over student loans is just one example of how British finance is being transformed to comply with Sharia law.

In June, a British company launched a Sharia-compliant pension fund that will enable Muslims to save for retirement in compliance with Islamic principles. Pointon York, an independent financial services company based in Leicestershire in central England, said it would begin offering four [Sharia-compliant Self-Invested Personal Pensions](#) (SIPP) products that do not bear interest or invest in companies that trade in alcohol, gambling, pornography, tobacco or weapons.

As of 2012, the British government will also begin offering Muslim workers a Sharia-compliant pension fund in the public sector. A new government agency, the [National Employment Savings Trust](#) (NEST), will give Muslims who do not already have a company pension the option of investing in the [HSBC Life Amanah Pension Fund](#), a Sharia-compliant pension scheme.

Muslim families in Britain can already acquire [Sharia-compliant baby bonds](#) under the British government's Child Trust Fund scheme. In 2008, Britain's Financial Services Authority (FSA) authorized the establishment of the country's first Islamic insurance company as well as the country's first [Sharia-compliant MasterCard](#), called the Cordoba Gold MasterCard.

The new financial products are seeking to fill the growing demand for Sharia-compliant financial products in Britain in the wake of Muslim mass immigration to the country.

Britain is now home to an estimated 2.8 million Muslims, which is equivalent to about 4.6% of the overall population. In absolute terms, Britain has the third largest Muslim community in Europe, after Germany (4.1 million, 5.0%) and France (3.6 million, 5.7%). According to a survey recently conducted by the Washington, D.C.-based Pew Research Center, the [Muslim population in Britain is forecasted to nearly double](#) to 5.5 million within the next 20 years.

Islamic banking is growing faster in Britain than it is in many Islamic countries in the Middle East and Asia. According to the "[Global Islamic Finance Report 2011](#)," Britain has emerged as ground zero for Islamic banking in Europe; and London is now the main center for Islamic finance outside the Muslim world.

With \$19 billion in reported Islamic banking assets, Britain's Islamic finance sector ranks number one in Europe, and number nine in the world. It dwarfs those sectors of some states where Islam is the main religion, including Pakistan, Bangladesh, Turkey and Egypt, according to a new report titled "[The City UK Islamic Finance 2011](#)."

More than 20 banks in Britain now offer Islamic finance products and there are five fully Islamic banks in the country. More than 30 Islamic funds are managed from Britain, and over 20 law firms supply services in Islamic finance. In addition, there are 55 colleges and professional institutions offering education in Islamic finance in Britain – more than anywhere else in the world.

The establishment of London as a global center for Islamic finance is being actively promoted by the British government, which has extended tax relief on Sharia-compliant mortgages to companies and has made it easier to trade in Islamic bonds known as [Sukuk](#). There were five Sukuk listings at the London Stock Exchange (LSE) in 2010 and three so far in 2011, bringing the aggregate total at the LSE to 33 listings worth nearly \$20 billion.

A British government investment promotion agency, the [UK Trade and Investment](#) (UKTI), recently formed the [UK Islamic Finance Secretariat](#) (UKIFS), a lobbying group to further the industry's development and push for the issuance of the first British sovereign Islamic bond. For the first time ever, the UKTI and the UKIFS set up a fully fledged British pavilion at the recent [World Islamic Banking Conference](#) (WIBC) in Bahrain.

The growth of Islamic finance comes as other aspects of Sharia law are becoming enshrined in the British legal system. At least 85 Islamic Sharia courts are now operating in the country. A recent study titled "[Sharia Law or 'One Law for All'?](#)" found that scores of unofficial tribunals and councils regularly apply Islamic law to resolve domestic, marital and business disputes, many operating in mosques.

The report warns of a "creeping" acceptance of Sharia principles in British law.