326925 - Ruling on negative interest that the bank takes from the one who deposits money with them

the question

If I deposit my money in the account of a bank that has a negative interest rate, wherein a fixed percentage of the money deposited is deducted every year, would this be considered as riba? I am talking about a case where there are bank charges involved also. In addition to those charges, the bank deducts a percentage of the money deposited and they call this deduction "negative interest". Since it is mentioned in a hadith that giving interest is also haraam, shouldn't this be haraam too since the one who deposits money in such accounts is in fact paying the bank interest. And how can this be not interest when the bank itself is calling it interest? Isn't the bank more knowledgeable about what is interest and what is not interest than a layperson?

Summary of answer

Negative interest is a fee in return for keeping the money safe and other related services, and it is not riba.

Detailed answer

Praise be to Allah.

Firstly: different types of bank accounts

There are three types of bank accounts:

1.

Current account, which is a loan from the customer to the bank, and the bank does not give interest on it. Rather it charges an annual fee in return for keeping the money safe and allowing

the customer to use services such as withdrawing, transferring money, and so on. The bank may impose further fees if the account drops below a certain limit, and the bank may be abusive and unjust [in charging such fees], but there is no riba, because the interest is usually paid by the borrower, not the lender.

2.

Savings or investment accounts, in return for a percentage of the capital or a specific amount paid by the bank. This is a riba-based loan and is haraam.

The lender is the customer and the borrower who pays interest is the bank. This is the essence of riba, no matter whether it is called investment, deposit or anything else.

Al-Qurtubi (may Allah have mercy on him) said in his *Tafseer* (3/241): The Muslims are unanimously agreed that it was narrated from their Prophet (blessings and peace of Allah be upon him) that stipulating that anything extra to be paid back when lending money constitutes riba, even if it is a handful of animal feed – as Ibn Mas'ood said – or even if it is a single grain. End quote.

3.

Investment accounts that meet the conditions of contracts as prescribed in Islamic law, meaning that there is an agreement on a defined percentage of the profit, not the capital, on condition that the investment be in a permissible field, with no guarantee of the capital. This is a legitimate partnership, either profit sharing (mudaarabah) or another kind of contract.

Secondly: the ruling on negative interest

From the above, we may understand that negative interest is a fee in return for keeping the money safe and other related services, and it is not riba, because the one who pays it is the lender, not the borrower.

As for calling it interest, what matters is what a thing is in reality and how it is viewed according to

Islamic teachings, not what it is called.

And Allah knows best.