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The Money that Prays

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Last September, as dust and debris from the tellers' floors began raining onto the empty vaults below, a note of satisfaction was sounded by bankers in the Arab world. Financial institutions sticking to the tenets of Islam, they announced, were largely immune from the debt crisis. Devout Muslims may lend and borrow under certain conditions; they can even buy and sell debt in the form of 'Islamic' bonds, but most other kinds of debt trading are frowned on. Al Rajhi Bank, based in Saudi Arabia, and the Kuwait Finance House posted impressive profits in 2008. Both have come under some nervous scrutiny in 2009 but their ability to weather the recession that has set in behind the credit crunch is not at issue.

Unlike most banks in the Middle East, Al Rajhi Bank and KFH are 'sharia-compliant' businesses, which means simply that they try to abide by the evolving body of rules known as the *sharia* – 'the path to the headwater' – which govern the lives of Muslims. The sharia serves mostly as a guide to personal conduct, though some rules are drafted into the legal codes of majority-Muslim states. It's founded, we're always told, on revealed truth from the Koran and exemplary stories from the Hadith, the sayings and doings of the Prophet. But the real influence of the sharia lies in the way this material is constantly read and recast by modern Islamic scholars, reinventing old traditions or asserting new ones. Whatever they take it to be, growing numbers of Muslims are keen to stay on the path when it comes to banking and finance. The global Muslim population is upwards of 1.3 billion – roughly one in every five people on earth – and, with a religious revival of twenty or thirty years' standing, the way of Islam is now a crowded thoroughfare. It is plied by a great diversity of travellers from different parts of the world; some have money to burn, others next to none, but anybody with a modicum of wealth is nowadays a potential opportunity for banks offering sharia-compliant retail services: current accounts, straightforward financing schemes and home-ownership plans.

The term 'Islamic finance' wrests a lot of activities down to a catch-all definition. The same is true, in the financial universe, of the words 'sharia' and 'Islam' itself. Sharia is not a single, coherent jurisprudence for Muslims; there are various schools of interpretation and marked disagreements within each of them. 'Islam', a broad term of convenience for most non-Muslims, is a power-point word in the City: it tells

bankers and traders that every day for a few minutes they should shut out the din of the money that merely talks and tune in to the money that prays. But why bother, given that sharia-compliant finance is probably worth less than 1 per cent of the total value of the world's stocks, bonds and bank deposits? This was reckoned at about \$170 trillion in 2007; it's much less than that now of course, but even so, with a value of around \$700 billion, Islamic stocks, bonds and bank deposits remain a minority affair, just as Muslims remain a minority in global terms.

What fascinates the markets about Islamic finance, however, is its dramatic growth in recent years and confident predictions that it's set to expand at 15 to 20 per cent every year. Its allure for moderately prosperous, pious Muslims – and quite a few non-Muslims recoiling from the debt crisis in anger and disgust – is different. They admire what they see as a promise to achieve stability and transparency, and a sense of proportion about money: look it in the eye, tell it you like it, but admit that you have lingering doubts about the transcendent value of paper. That's an unsophisticated position, but since the credit crunch not many people trust the sophisticated keepers of the modern money culture; in this sense the rise of sharia-compliant products is also a challenge to the unofficial, polytheist faith of offshore Britannia: the worship of markets in general and financial markets in particular.

One of the central differences between the Islamic and conventional approaches to finance is that our own cults – which may well see a revision before the end of this crisis – ascribe supernatural powers to money. Cult specialists are at great pains to understand and control how it works, but admit that it does so in magical ways that go beyond the effects of human commerce (for the markets, too, have magical attributes, including innate goodness). Whatever we want from money, we suspect, as devotees, that in the end it will always behave as it sees fit. Our awe of it is a bit like a rapt meditation on the way the shower of gold behaves – shimmering and falling – when it cascades over Danaë in her cloister in Argos. In the story, it's merely the form chosen by Zeus for her seduction, but in our meditation, there is no Olympian in disguise and no intention to seduce, just the metal shimmering and falling, in consummate self-expression, as deity and dogma. Islamic approaches – there are quite a few – are much closer to Nonconformist and Anglican traditions, where the divinity stands to the side of money, reminding the faithful that he is one thing and mammon another. Money, in this view, is an object of caution rather than superstition – and, in spite of its dangers, a useful tool for anyone who wants to build a respectable world, with God's instructions pinned to the wall above the workbench.

Maybe this is why sharia-compliant products have been gaining popularity among British Muslims, even if they differ only slightly from conventional ones. Take the home-ownership scheme offered by HSBC's sharia-compliant range, Amanah

(*amanah* means ‘trust’ in the moral and legal sense). Muslims are forbidden to pay or receive interest and troubled by conventional lending, because it appears to put the burden of risk on the borrower not the lender: in the Islamic view, no transaction is ethical unless risk is fairly distributed between the parties. HSBC Amanah’s scheme is based on an Islamic contract known as ‘diminishing musharaka’ and it’s approved, like all HSBC Amanah’s services, by a board of sharia scholars. A would-be home-owner must put up 40 per cent of the cost price (much less before the credit crunch); the property is registered in a trust (*amanah*) as a jointly owned asset, with the bank’s majority ownership diminishing over an agreed period, as regular payments are made; the customer promises to buy the bank’s share, and the bank promises to sell it to the client. The property is envisaged as a set of units and the customer’s payments as twofold: one part is rental, for the right to live in it, another is a form of unit-acquisition. The trust keeps a tally of the bank’s diminishing ownership and the growing share to the customer. At term, the trust is dissolved and the home passes to the customer.

In the meantime, no interest has been charged. But the rental payments received by HSBC Amanah for its willingness to share a risk will have been reviewed – and therefore been subject to change, much like the interest charge on a variable-rate mortgage – at regular intervals. Indeed, rental charges are likely to track changes in a conventional interest rate, for instance Libor, the London Interbank Offered Rate. In the eyes of some Muslims, the resemblance of the rental element to an interest charge casts doubt on the ‘Islamic’ nature of the scheme; others are happy to say that even when two things are alike, this does not make them identical. The questions of likeness and difference, and what constitutes real compliance, are hotly debated among Muslims throughout the world.

As regards risk-sharing, HSBC Amanah’s scheme seems little different from those of other lenders when customers fail to keep up payments (‘default’ is not a sharia-compliant word). The bank will pursue a customer if it thinks the reasons for the failure were ‘avoidable’, because this would constitute a breach of the promise to buy. But it claims not to handle a genuine misfortune the way conventional mortgage providers deal with a default. Both parties share any losses according to the proportionate ownership at the time. The bank can seize the contents of a customer’s current account to offset some of its own losses, but there the matter ends. No question of a debt-collecting agency taking up where the bank left off. Most mortgage companies in the US also draw a line under default, but among Islamic home-ownership providers in Britain this approach has encouraged prudence. Amjid Ali, who heads HSBC Amanah’s UK operation, told me that in the first five years of its sharia-compliant home-ownership scheme, he had processed applications to the value of £700 million, of which, after judicious sifting, more than

half had come good. He knew of only one case that hadn't worked out: the customer was given 18 months' grace, at the end of which the house was sold. Devout Muslims who think the HSBC Amanah approach is uncomfortably close to the way a conventional default is handled must surely have had their views confirmed by the government's insistence to mortgage lenders, since the recession set in, that patience with people in difficulty would put a floor under falling house prices and send out a 'caring' signal (reluctant bankers call it empathy). But perhaps the same Muslims derive a certain satisfaction from the fact that conventional mortgage lenders are beating a path to the headwater.

A home-buyer signing up to a diminishing musharaka would have to take out buildings insurance with a clause that covered the bank as well. But Islamic tradition is uneasy with conventional insurance. First, there's contractual uncertainty (the devilish detail of insurance policies); second, a risk has been bought by another party, and this is scarcely ever acceptable; third, far from looking like circumspection, conventional insurance has every appearance of a punt, with croupier and client sizing up the odds – and gambling is forbidden. An Islamic option, now available in the UK, allows devout Muslims to subscribe regular payments to a managed mutual fund and think of the process as an exercise in solidarity.

This arrangement, known as *takaful*, was on offer from HSBC Amanah until the end of last year, when it realised that customers found the costs too high: ethical products, like principles, are more expensive, and less profitable, than off-the-shelf alternatives. Collective underwriting was the main feature of the retired model, shared with other *takaful* services clinging on in a difficult market. The sharia board instructed HSBC that if the fund was underspent by more than £25 per subscriber in a given year, members could have money back or make it over to the launch of a micro-credit scheme in Pakistan. Rising costs are the reality of most insurance, but for *takaful* members they are mitigated by the concept of 'donation'; subscribers may be grudging or disgruntled, but tradition urges them to see the cost of mutuality as part of their obligation to share risk with their fellow members. If it seems unacceptably high, and there are enough *takaful* co-operatives around, they're free to chase down a better option.

Takaful cover has its origins in Arab seafaring mutuals (not unlike the whaling mutuals, centuries later, of the Quaker communities in New Bedford and Nantucket). It is a small sector of the global insurance business, already thriving in Malaysia and said by its advocates to be growing throughout the world. In Britain, which prides itself on its multiculturalism and its financial services in almost equal measure, *takaful* has been endorsed by the minister for trade and investment, the Chartered Insurance Institute and the lord mayor of the City of London. Like all

sharia-compliant products in the UK – and everywhere, as far as I know – it's available to non-Muslims. One Muslim scholar told me that they already account for 16 to 20 per cent of the clientele for Islamic retail products in Britain. No need to recite the shahada if you want a sharia-compliant loan from the Islamic Bank of Britain, Lloyds TSB or a UK branch of the Arab Banking Corporation.

The idea of conventional insurance as a wager is taken seriously, and sometimes to extremes. Until he was denied the right to re-enter the UK in 2005, Omar Bakri Muhammad, the Syrian radical, was said to drive around uninsured on the grounds that a third-party policy with Kwik Fit or the AA was an abomination in the eyes of God. As a proselytiser for Hizb ut-Tahrir and later a star of Al-Muhajiroun, Bakri had a headstrong attachment to the sharia, even when he was a guest of the Home Office. Many British Muslims, pleased to see the back of him, thought that the danger he courted by refusing to take out cover was itself a gamble in which he wagered his faith against the laws of his host country. Perhaps, if he'd still been around, he'd have joined the first British sharia-compliant car insurance scheme, Salaam Halal Insurance, when it was launched last summer (call centres handle inquiries 'in English, Arabic, Bengali, Gujarati or Urdu').

It isn't just in Britain, and it isn't only in the retail banking sector, that sharia-compliance is catching on. The last ten years have also seen a surge in sharia-compliant securities available to corporate and institutional investors in many parts of the world who want to stick to the rules of the faith. It's a new impulse: in the 1970s, when the oil-producing states were awash with money, there weren't too many worries about petrodollars flooding into the purchase of US Treasury bonds, even though they bore interest, and there were few alternatives to conventional securities. This isn't the case any longer. Malaysia is rich with opportunities for investors in compliant bonds; in Europe, the German Land of Saxony-Anhalt issued the first 'Islamic' government bond in 2004; the British Treasury has also looked into the possibility of issuing sharia-compliant bills. Meanwhile there's no shortage of choice in equities. The Dow Jones Islamic Market (DJIM) started up in 1999: it now has dozens of indices and lists hundreds of companies whose products are approved by its board of sharia scholars.

Nation-states may decide to devalue their currencies or privatise their telecommunications, but the odds are against them adopting full sharia-compliance. A few years ago Sudan had a unitary sharia banking system, but since the peace deal between Khartoum and the non-Muslim SPLA in 2005, conventional banking has become the norm in southern Sudan. That leaves Iran as the only country that boasts a banking system operating fully on Islamic principles (the evils of interest, it argues, obtain only if the borrower and lender are wholly distinct, and since Iranian banks are nationalised, the country's interbank lending rate is regarded as a family foible).

All other Muslim-majority states have conventional or dual systems; in all cases, the central banks behave conventionally.

Conversion to sharia would be ruinous for a wealthy city-state like Dubai, thriving – until the crunch – on Western finance and the ‘conventional’ lifestyles of expatriates. At the end of last year, the monthly retail-purchase interest on a Platinum Visa card issued by the National Bank of Dubai was 2.99 per cent, while Dubai’s sovereign debt stood at 148 per cent of GDP – both well out of order for a conscientious Muslim. Dubai has been on the ropes since last September, but even in better times, the ruling family, like the government of Malaysia, had encouraged sharia-financing across a range of state-funded development projects. Gulf regimes are keenly aware of the changes in fashion that have driven demand for sharia-compliance.

So is the private sector. Many innovative sharia-compliant instruments have been theorised – and some of them applied – by companies whose interest in Islam is decidedly recent, among them Deutsche Bank as well as HSBC. Their idea is to access the large amounts of cash swilling around to no great avail in the Gulf: an ambition reciprocated by the owners of this money, who want to put it to work. The difference between now and 1973 is not one of quantity: liquidity in the Gulf has been high again, partly as a result of oil prices, partly because billions of dollars were repatriated from the West by worried owners after 9/11, but also because the Islamic revival has left many Muslims doubting the wisdom of conventional investment. The diffusion of sharia-compliant financial products has opened new routes for their money. For a while some of it headed towards Malaysia and, until the end of last year, plenty was creeping westward again. The appetite for world markets remains strong, but it now answers more closely to the will of God.

The prohibitions for Muslims are puzzling to the modern commercial mind. The first obstacle for a pious Muslim trading and banking in conventional economies is interest, the term I’ve been using for the Arabic *riba*, though its literal sense is closer to ‘excess’ and it is sometimes translated as ‘usury’. Often, in the Hadith and even more in recent proselytising on the internet, *riba* is said to be ‘eaten’. One of the objections to *riba* is its propensity to up-end the social order. A person who consumes *riba* bungles the proper management of need – his own and his debtor’s – whereupon the grand plan of give and take, sufficiency for rich and poor alike, begins to come apart. This, as Charles Tripp explains in *Islam and the Moral Economy*, is also a challenge to ‘the balance and proportion of God’s ordering of the universe’, which must be reflected in ‘human relations’. Islamic tradition warns that *riba* is likely to lead to injustice and exploitation.

There’s a categorical objection, too: that money may not be conjured up from money to generate like from like. The goods that served (we’re told) as currency in Islamic

tradition – gold, silver, salt, grain and dates – can only be exchanged ‘hand to hand’, i.e. in a spot transaction, without deferment; and only at parity, one quantity for its exact equivalent, no more, no less. It’s not clear why you’d want to swap something – a gold weight, say – for its identical other, but the point here is probably that units of currency, unlike the shirt or the saddle for which they’re exchanged, must be beyond any cavilling with regard to value for the system to hold up: an Islamic marker set down 14 centuries ago against arbitrage. In a story told by Abu Saïd al Khudri, one of Muhammad’s younger companions, the Prophet describes the transaction of a greater number of low-grade dates for a smaller number of quality dates as *riba*.

The most famous chapter and verse on *riba* is in sura 2 of the Koran. It warns that dealing in *riba* will bring on madness or ‘torment’ (via ‘Satan’s touch’), and that if you’re not prepared to waive a mark-up on a debt, war will be waged against you by God and the Prophet. One sharia-compliant banker I met last year told me that’s about as bad as it gets. There is also an injunction to forgive debt in a broader sense: ‘If the debtor is in difficulty, then delay things . . . Still, if you were to write it off as an act of charity, that would be better for you, if only you knew’ (the rules followed by HSBC Amanah try to catch something of this). The charging of *riba*, it follows, is always a missed opportunity to act generously, to give where a gift is in order, a gesture highly prized in Islamic tradition. In a faith embodied by a trader prophet and espoused by an impressive trading community for which, at its height, knowledge was a key commodity, believers are admonished not to confuse *riba* with trade. From the second sura, again: ‘God has allowed trade and forbidden usury.’

In *Economics, Ethics and Religion* (1997) Rodney Wilson went through the 6226 verses of the Koran and found that 1400 refer to ‘economic issues’. It follows that there is a vast body of scholarly opinion dealing with money. A fatwa about charging for debt, or any financial matter, issued by a group of experts such as the Fiqh Academy in Jeddah can carry great weight for certain Muslims, and less for others. In the sharia, like any code which hasn’t ossified, the element of interpretation is crucial and within each of the schools of Islamic jurisprudence, there are divergent views, especially between conservatives and modernisers and especially about money. Yet not all the source material under interpretation is stable or straightforward. In the Hadith, for instance, it’s said that the Prophet warned against 70 different forms of *riba*. These have decayed and combined under the pressures of modernity, but there’s still room for doubt. Modern nuance can be as puzzling to a non-Muslim (maybe even a Muslim) as the founding inventories: Wilson records a sharia ruling in the United Arab Emirates which found that simple interest was permissible and only compound interest forbidden.

Riba catches many non-Muslims out. After a long study of Islamic finance, the anthropologist Bill Maurer couldn’t settle on ‘interest’ as the perfect translation: it

seemed clear at first but became streaky as he looked closer. ‘Usury’ is the obvious alternative, but are we to rely on the older sense of the term – any charge, however small, for the use of borrowed money – or on the way it’s understood today, as extortionate interest only? Wilson, a professor in the School of Government and International Affairs at Durham who is intrigued by ‘the influences of religious belief on economic behaviour’, holds that *riba* is usury in the first sense. That’s the view of most practising Muslims; it seems to echo the meaning of the word in Deuteronomy, where Moses instructs the people of Israel not to lend to their own kith and kin at a rate: ‘Unto a stranger thou mayest lend upon usury; but unto thy brother thou shalt not lend upon usury.’ Very close to ‘interest’ after all then. Yet if, like Melanie Phillips, you believe Islamic banking in the UK merely hastens the day when a green flag is raised over Westminster, it’s important to think of ‘usury’ in the later sense, in order to insist that Muslim law is either deluded or deceitful: ‘The whole issue of sharia finance,’ Phillips wrote last year, ‘is based on a fabrication . . . sharia does not proscribe interest. It proscribes usury.’ Were *riba* just a term for exploitative lending, however, one or two countries might have shuffled nearer to a unitary sharia banking system. But the sharia has few attractions for exchequers and central banks in a modern economy, where the interest rate is a basic tool of monetary policy. The appeal of sharia-compliant banking and investing is in essence to the individual conscience.

The emphasis on risk-sharing in HSBC Amanah’s products – and all Islamic products – is related to the prohibition on interest: it’s obvious to the devout Muslim that collecting interest on a debt involves no risk worth the name; all that’s required, in this view, is for a creditor to sit back and wait. The exposure involved in the mere lending of money – self-evident to a non-Muslim – is an unticked box in Islamic tradition, while savings, for which non-Muslims see interest as a fair reward, give rise to worries about hoarding: money should be out there doing the work that enables trade to flourish. A Treasury expert would say Islamic tradition approves of narrow money; a historian would remember Bacon’s essay ‘Of Seditions and Troubles’ and his famous dictum that muck is ‘not good except it be spread’. (The essay goes on: ‘This is done chiefly by suppressing, or at the least keeping a strait hand upon the devouring trades of usury.’)

Risk-sharing, like generosity, puts human relations on an even keel in the Islamic view. A capitalist can weigh a risk but shouldn’t accept a promise from a partner to eliminate it: that would be ‘risk-transfer’, which denies the inherent truth of risk. (In the eyes of sharia scholars it also opens up a vista of potential exploitation, especially when risk is passed on in unknowable ways, say in the form of a mortgage-backed security with a dodgy rating.) No one must guarantee investors’ money, except against fraud.

Interest and risk-evasion are largely absent, Islamic investors believe, from the world of stocks and shares. To invest in a company is to sign up to joint ownership and collective risk, while ordinary shares pay dividends not interest. Even so, there are constraints. It is forbidden to invest in companies that have anything to do with gambling and you're unlikely to find a business listed in the Dow Jones Islamic Markets indexes with more than a toehold in this area of the leisure industry. In sura 2 of the Koran, the evils of drinking and gambling are deemed to outweigh their benefits – though these are granted – and *maisir* (the drawing of arrows, like straws, to divine a course of action or simply to bet) is condemned in sura 5. There are other exclusions for devout shareholders. Clearly breweries and distilleries are off-limits, along with pork products. Pornography offends on three overlapping counts: shame, obscenity and *baghi*, loosely speaking, 'transgression', 'injustice' or 'trespass', anything intrusive then, from a misunderstanding of privacy to a foreign occupation. The DJIM indexes exclude most media businesses but also hotel chains, where minibars and adult channels lower the tone (basement gaming rooms too). Critically, daily trading in debt and *riba* makes almost all conventional financial institutions, including banks, unacceptable.

The way companies that survive this triage are run must next be examined closely. Sharia scholars are unlikely to approve of a firm whose clients owe it large amounts of money – 'accounts receivable' – or one that depends on high returns from interest. The bigger question, though, is a company's financial structure – how much of its capital it has raised by borrowing and how much by selling its performance or potential in the form of share distributions. The DJIM board of sharia advisers screens out any company whose debt is higher than one third of its market capitalisation (a valuation based on the total number of shares issued times the prevailing share price).

Debt is a problem in its own right. Borrowing on a regular, matter-of-fact basis is open to question since sharia scholars are wary of conventional banking's dependence on interbank borrowing. The ideal Islamic bank, Rodney Wilson told me, is financed entirely by its depositors' money. In practice, there is plenty of imperfection, but a compliant bank will want to stay as close as possible to this model. Like *riba*, debt also raises fears about poverty and injustice (some Muslim NGOs are as evangelical about Third World debt as their Christian and secular counterparts). In the Hadith, debt presents a troubling face once the possibility of deferment arises, as it might with a debtor in difficulty. Is it a good thing or a bad thing to put off repayment? Does it matter whether the debtor is wealthy or poor? Bad faith is always threatening to break in on the relationship between a debtor and a creditor: a debtor says he can pay back a loan but how can he be sure? All this drags human relations into the realm of uncertainty – *gharar* – from which faith,

the discourse of absolute certainty, was supposed to protect them. In commerce, gharar is best avoided. Whence the persistence of doubts about contracting for things that don't (yet) exist: tradition might allow for a joiner taking orders on furniture he hadn't yet made, but it disqualified the sale of a foal that was still in the body of the mare. Even the benign, textbook version of the forward contract – a farmer and a miller agreeing a grain price ahead of the harvest – brings a sense of uneasiness.

The concept of gharar doesn't just apply to goods whose status is in doubt, but to bargains whose terms are ambiguous and contracting parties whose liability is vague. Though it's often translated as 'hazard', it's not the same as risk, which Muslim societies understand as well as anyone. Business risk is unavoidable and begins when a cargo plane taxis towards the runway. Gharar has more to do with the commercial imagination running ahead of itself: speculation still troubles Islamic scholars; many take a dim view not just of credit derivatives, the villains of the banking crisis, but of any instrument whose value is based on a contract for an underlying asset rather than the asset itself. This is changing, slowly, as a growing number of experts wrestle with intellectual tradition till they get to a place where derivatives, some in any case, appear acceptable. But no sharia adviser would approve of an Islamic financial institution bundling toxic mortgage debts into securities and packing them off to market, still less buying them up. To a conscientious Muslim, this is the perfect storm, in which opaque liabilities, the unknown nature of the underlying debt, fair-weather forecasts by ratings agencies, plus risk transfer and riba, conspire to wreck large parts of the fleet. Is there anyone clinging to the flotsam, post-9/15, who disagrees?

Non-Muslims will recognise the process of screening companies out of a portfolio: many charities and individuals have been doing it for years. The fashion in the West for Socially Responsible Investment (SRI), which gained ground in the 1980s and 90s, has become a model for Muslims. That's the view of Mufti Barkatulla, a scholar trained in Uttar Pradesh, and now an adviser on several sharia boards in the UK, among them the Islamic Bank of Britain and Lloyds TSB. He points out that sharia scholars (including the ones who advise the DJIM) rule against investments in tobacco companies and arms manufacturers, even though Islam has no quarrel with either. The sharia is strictly speaking a matter of law, but sharia-compliance and SRI are, in Barkatulla's sense of it, largely about the intimate decisions of prosperous individuals and the grandiose 'ethical' claims of big business. Sharia-compliance doesn't have the boycott component that turns SRI from a sum of personal choices into a self-conscious movement. Opting away from a conventional current account is hardly the same as refusing to buy sugar grown by slaves, as the Quakers did in the 1790s, or divesting from companies with links to apartheid, as American universities

did in the 1980s.

Even so, it's sometimes seen as a front for Islamic supremacists scheming to overrun the West. The crusader-jihadist wars are a favourable habitat for this kind of idea, which feeds off suspicion and a regular diet of incidental detail. Eccentric Islamists announce that they hope to see Britain under a caliphate; angry groupuscules and male covens dabble in jihadist ideology and scour explosives websites; the Archbishop of Canterbury thinks aloud on Radio 4 about the sharia as 'an alternative to the divorce courts as we understand them' and congratulates Muslims 'on the faithful completion of Ramadan' as though he were handing round the sherry on Easter Sunday. With all this and years of high-profile terrorist attacks, from New York to Lahore, plus two wars that have not gone well, a person in Birmingham seeking a fee-based home loan begins to look like the enemy.

Before the surge of Islamic banking, many devout Muslims shied away from banks: for the poorly educated, everything, even a non-interest-bearing current account, came under the general heading *haram* – 'impermissible'. Banks dealt with interest, therefore Muslims shouldn't deal with banks. Mufti Barkatulla told me he'd had to mediate in several cases where police raids had turned up large sums of money stashed in people's homes. Sometimes, he remembered, people were holding £30,000 or more. To the police, this was deeply suspicious; in fact people were hoarding their way out of *riba*. One of the changes that sharia-compliant banking is bringing in Britain, Barkatulla believes, is that working-class Muslims, older ones especially, are at last shifting 'from a cash-based to a cashless society', as Muslim professionals and businessmen did years ago.

If Muslims can't take part in a conventional economy without breaking the rules, at least they can compromise by keeping track of their infringements and 'purifying' the balance by charitable giving equivalent to the amounts in question. These self-administered transfusions are payable over and above the mandatory deduction, known as *zakat*, that devout Muslims must make and donate to charity in the space of a year. The most common *zakat* payment is 2.5 per cent per annum on cash, savings and investments less liabilities. (It can be a finicky piece of accounting; the 'zakat calculator' at <http://www.ramadhanzone.com> is worth a visit.)

Unbelievers who worry that Muslims may not wish them well – a complicated piece of projection, but not wholly fantastic right now – should put a yellow highlight over the word *zakat*, and another over 'purification'. Successful Muslims in the West remitting to the 'poor' and 'needy', as the rules require, are the worry here. Their money may well go to families of the unemployed in Bradford, NGOs in Kuala Lumpur or prosthetics clinics in Sarajevo, but it can also be headed in the direction of people under fire in the West Bank, Gaza, Iraq, Afghanistan, Kashmir.

At the beginning of last year the Pakistani cleric Sheikh Muhammad Taqi Usmani was a member of the sharia supervisory board at DJIM. A scholar, judge, financial expert and prolific writer, Usmani was also involved with a sharia-compliant mutual in Illinois which Dow had allowed to manage its 'Islamic' fund. But there were internet murmurings about Usmani and in the spring, the McCormick Foundation and the ultra-con Center for Security Policy held an anti-sharia finance workshop in Illinois where his published views about jihad and the subjugation of unbelievers came under scrutiny. Media attention now turned to the Illinois mutual. In 2007, somewhere in the sprawling paperwork for a federal 'terror-funding' trial in Dallas, it had been named by the government as an 'un-indicted co-conspirator' – one of about three hundred – with alleged links to the US Muslim Brotherhood. These, apparently, were forged via the Holy Land Foundation (HLF), a US-based charity at the centre of the investigation. Usmani's thoughts on the obligations of jihad – in the CPS presentation, they were non-ecumenical to say the least – have done sharia-compliant finance in the US very few favours; he's no longer a DJIM adviser. As for the Illinois mutual, it's had to call in the American Civil Liberties Union to help it restore its damaged reputation.

Last year, after a mistrial in 2007, a jury in Dallas found the HLF and five of its members guilty of funding Hamas to the tune of \$12 million or more, even though the prosecution conceded that the money was spent on medical facilities and good works. But in the US, charitable gifts, purifications and zakat simply cannot go to Palestinians without donors risking a federal investigation. As David Feige explained in *Slate* after the mistrial, the HLF was accused of 'aiding a terrorist organisation by helping it spread its ideology and recruit members. Translation: even those who support good works are guilty of terrorism if the good works make the terrorists look good.'

Governments may strive in their own jurisdictions to compound the hardships of the Palestinians; freedom-loving think tanks may vent their dismay (verging on disgust) about the rise of sharia-compliant mechanisms in the West; but it is too late to quarantine Islamic finance. Alongside the notional clash of civilisations and the real collisions, a very different encounter with Islam has taken place in the worlds of banking and finance. The constant exchange of money and ideas, the morphology of ingenious instruments that can accommodate a different philosophy of wealth-creation, the familiarity with Islamic tradition among conventional financiers and lawyers who draw them up – all this suggests a convergence both more real and less visible than anything that multiculturalism in the arts, the media or interfaith groups was meant to bring about. The old imperatives of trade and profit are at work here, but so is the recent radical style of the money culture itself.

The 1980s may have mourned the death of avant-gardes in the arts, but there was a

thriving avant-garde in the City, which became a magnet for cadres of bright, ambitious, untried people with remote horizons, dealers sans frontières. By the end of the 1990s, this gilded bohemia had a good grasp of sharia-compliance and the breadth of modern, secular trading it could offer Muslims with qualms about the way their money had been doubled back in the 1970s. There were fortunes to be made, and an intellectual challenge in the air. The idea that Islamic finance was out to hobble Western values – ‘financial jihad’, as the Center for Security Policy calls it – was greeted with scepticism, even a subversive ‘So what?’ Radical innovation was the watchword and the search was on for complex products that could lock more and more transactions into a compliant framework. Since last September, the dangers of innovation have become clear and the ideal of reckless creativity has taken a hammering.

The world of sharia-compliant finance is largely unscathed: Islamic banks in the Middle and Far East have not followed the low collateral/high borrowing regimes favoured by their conventional competitors at home and abroad; Islamic principles have denied investors any real access to shares in the banking sector and thus any exposure to toxic debt. Yet there is still a hunger for access and experimentation – what Mufti Barkatulla describes, enthusiastically, as a willingness to take risks with interpretation itself; ‘sharia risk’, as he calls it – and a fascination with the sums of money that have been made on markets forbidden to Muslims. To that extent, convergence is still the order of the day, as sharia-compliance wizards, Muslim and non-Muslim, seek to open up the trade in derivatives to the small but growing number of devout investors who can be persuaded to bid for a calf while the camel is still in labour.

Jeremy Harding is a contributing editor at the *LRB*. His versions of Rimbaud’s poetry are published by Penguin along with John Sturrock’s translation of the letters.

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