Some one asked about Meezan bank. I have heard about Meezan Bank is approved by Mufti Taqi Uthmani. The actual haram / halal can only be understood once we can read their contract agreement. In general, here are the principals:

- If you take loan from bank to buy house and you return their loan with interest. This is absolutely haram. E.g. they give you Rs 100000 and you return then 110000 in installment. The extra 10,000 is absolute form of Riba that is haram by words of Quran.
- If you take money from someone (say $100) and return them more than what you took (Say $110). This is absolute form of Riba. And its haram. This is call Riba al-Nasia or also Riba Jahiliyah.
- Similarly, The Prophet (pbuh) identified various items, when they are exchanged, they must be exchanged equally. i.e. gold for gold, silver for silver, dates for dates, barley for barley etc etc. (details in paper). This is called Riba al-Fadl.
- But when you exchange Gold for dates, then this is trade. I mentioned in my paper difference between Trade and Riba. Basic different is when you do Riba transaction, you don’t own the item. When you trade you own the item and you do not return the item you own.

If any one is giving you loan to buy the house and in return asking you to pay more money then they loaned, then this is haram in absolute term.

Now when comes to Islamic bank, they have multiple schemes to arrange a house for you. There are following principles that you should know:

**Murabaha Transaction:**

- You (client) need a house but don’t have enough money
- Bank said they can help you buy the house.
- You decide which house you like.
- Bank goes and purchase this house and transfer ownership of this house in their name.
  Say bank buy it for $250k
  - Bank sell you this house on mark-up profit. Say $300k. You agree to buy the house at that price.
  - You pay money to the bank as installment,  Say 10k per month until it pays off.
  - This is simply buying on installment. Its called murabaha in sharia term. You can say murabaha means “Cost Plus”. That is when bank sells it to you, it's a Cost ($250k) + Plus Profit ($50k).
  - The main principle here is that when you made the transaction with bank, they give you house and you gave them money for it. This is different from loan transaction,
  - because in loan transaction, bank give you money and you return the money to them.
The other two way of making Islamic transaction is Mudaraba (profit sharing) and Musharka (partnership).

In my opinion, murabaha transaction is safest for home buyer and doesn’t have any doubt of Riba. Musharka transaction works this way:

**Musharka (partnership):**

- You want to buy a house but doesn’t have enough money
- You enter partnership with bank and buy a house together. Say the ratio is 40:60. (you pay 40% and bank pay 50% of total cost)
- This is same as two brothers get together and buy out a property by sharing capital.
- Once you buy the house with another partner, both partners are equally responsible for maintaining the house, and they pay their share of the expenses
- Now, since Partner B (Bank) doesn’t live in the house, he can offer you to rent his portion of the house and in return ask you to pay rent for that portion.
- In Addition, every month the Partner B allows you to buy his shares. i.e. you buy out $5000 of his shares every month.
- So this transaction has Three Contracts:
  - Partnership contract (40%:60%) Partner A invested $40000, Partner B invested $60000. Both partner A and partner B share monthly expenses to maintain the property.
  - Rent Contract. Party A (you) pays $2000 rent to Partner B every month for renting his portion of house.
  - Buying out Sharing. Partner A buys $5000 shares of Partner B every month, until he has bought all shares.

- This model is called Diminishing Partnership model, a Common accounting term.
- This is permissible transaction based on this explanation, as each of the three contracts are allowed. However, people argue that It matches the concept of Riba Based Mortgages. But this is permissible and there is no riba as per the terms of contract.