



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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X	Individual
	Large business (over 250 staff)
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	Medium business (50 to 250 staff)
	Micro business (up to 9 staff)
	Small business (10 to 49 staff)
	Trade union or staff association
	Other (please describe)

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: I am aware from organisations such as FOSIS and 1st Ethical Charitable Trust that a number of Muslims have raised concerns with them about the impact of the student loan scheme, and that some Muslims have been unable to attend university because their religious views preclude taking out loans under the student loan scheme. However I am not aware of reliably sampled estimates, which is why I have answered “some impact.”

Questions 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: I believe there will be strong take up by Muslim students of a Sharia compliant scheme that costs no more than the conventional scheme.

Firstly I would expect take up from Muslim students who would otherwise be excluded from higher education by their religious refusal to take out conventional student loans.

Secondly, I would expect demand from many Muslim students who would otherwise, albeit with reluctance, take out a conventional student loan if no Sharia compliant alternative was available. These Muslim students will prefer to take out a Sharia compliant alternative for religious reasons if one is available.

Questions 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: I would expect most Muslim students who presently refuse to take out conventional student loans to be satisfied with the opinion of the Islamic Bank of Britain's Sharia Supervisory Board, which is the proposal in the BiS scheme.

There will however be some Muslim students who will not be satisfied, just as there are Muslims who regard Islamic banking as practiced by the established Islamic banks as not genuinely Islamic. In my opinion it would be futile to allow those views to dictate the design of a Sharia compliant scheme, as it is not realistic to design a scheme to satisfy the most extreme viewpoint.

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 See answer to question 3.

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: I found the explanation in the consultation document relatively straightforward as I am a specialist in finance and Islamic finance. However most prospective students are not.

I believe that significantly more detail will need to be provided to students with illustrative examples.

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: Most prospective students, including those with a religious objection to the conventional student loan scheme, do not have any detailed understanding of Islamic finance. They will not understand terms such as takaful.

It is essential to provide a detailed explanation of why the proposed scheme is Sharia compliant, and how it differs from the conventional student loan scheme.

In particular the formal detailed fatwa of the Sharia advisors should be published in full.

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.

I welcome the consultation and appreciate the effort that BiS has put into addressing this problem. The proposed alternative finance model is very elegant. Its take up is critically dependent upon the majority of affected students accepting that it is Sharia compliant, and that will need significant effort to be put into communications about how the scheme works, with a strong endorsement by the Sharia scholars. I recommend they be asked to record video interviews about the scheme, as well as their full detailed written fatwa being published.

It would be disappointing if the scheme were launched and then failed to be taken up by those students who are presently excluded from university by religious objections to the conventional student loan scheme.

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

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?

Yes No

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