

SHARIAH SAYS SHARE – INTEREST FREE!

An Australian Muslim co-operative shows how shared finance can help address the home ownership challenge for low income and immigrant groups.

Story by **Nicholas Montgomery**

Legend has it that, just after the Ramadan holy month, a colossal Islamic party rages and you can walk into a random Muslim home and share a grand feast with 100 people you don't know. Bellies full, you can then slip into a comfortable bed and sleep for the best part of three days and three nights, before the landlord dares to ask the usual questions of someone overstaying their welcome. Like: 'Who are you?', 'What are you doing here freeloading?' or, 'Your socks smell'.

Still more peculiar, but typical of the trusting nature of Islam, imagine closer to home, right here in Australia, sharing a house with 5000 Islamic mates - could get a bit crowded!

Thankfully, the sharing isn't a literal one. More a financial 'family affair, like the Australia way of life, the idea of equality and the fair go', says Neil Aykan, 'radical banker' and manager of the Muslim Community Co-operative Australia (MCCA).

MCCA is the first progressive financial venture of its kind in Melbourne and Sydney. Fully independent, it doesn't 'lend' per se, but shares money that isn't quite money and 'co-owns' homes with thousands of people.

Although not as 'media hip' as the green/ethical supermarket cooperatives or the urban-friendly transport co-ops in Europe, away from the limelight Muslim co-ops take collectivised funds, entrust them to home-aspiring members and, best of all, expect no interest payments.

So what's the catch? How can a financial institution survive without earning an interest margin? Or, more to the point, how can it attract deposits without paying interest?

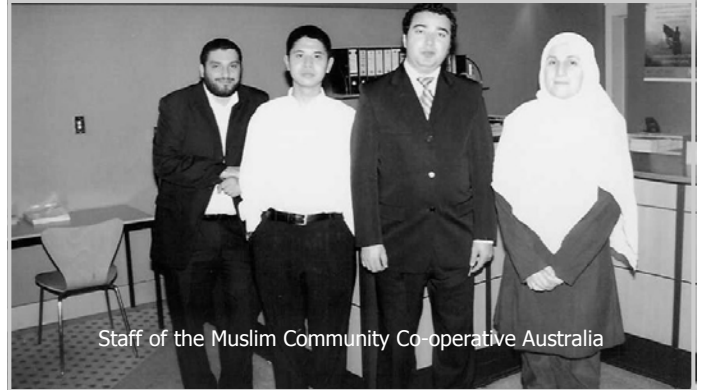
'Australians would be converting to Islam tomorrow, if they knew there was a way to own a house together, and have interest-free shared money. But they don't have to; we are open to any Australian.'

Following the shariah or Islamic law, which forbids interest payments and so too those reviled bank fees, is mandatory for Muslim co-ops. Traditionally, Muslim countries are tax-free and Muslims are also required by shariah law to tithe 2.5 per cent of their total annual income to tackle homelessness and unemployment. So, adapting to the West, Muslim co-ops generally expect 'payments for services' in the form of community service, or trust that members will give to the collective fund.

Aykan ironically larks: 'Australians would be converting to Islam tomorrow, if they knew there was a way to own a house together, and have interest-free shared money. But they don't have to; we are open to any Australian'.

The most interesting feature of Islamic co-op finance is 'shared risk'. 'If property prices crash we share, if they go up we share – together we share, win or loss', enlightens Aykan.

In the current climate, where everybody (except smarting renters) seeks that Australian dream house and the interest rate susceptible



Staff of the Muslim Community Co-operative Australia

mortgage that goes with it, Islamic co-ops are the finest thing since, well, Islam helped invent capitalism 14 centuries ago.

Victoria University financial engineering professor Kalam compares Islamic share finance to modern 'ethical investments' and 'the original social responsibility, and social capital'. Pooling finance amongst the family is a way for low income earners to buy homes; and immigrants from a range of cultures and religious backgrounds, often locked out of the home lending market by the banks, have been building considerable financial wealth by practising this type of shared finance for generations.

Professor Kalam says, 'Global Islamic collective finance is providing insurance, vehicle leasing' and now a slow money investment fund that creates 'sustainable businesses that feed and support the local community'.

Such idealistic promise is finding favour in government and commerce. Last year, the Menzies Institute 'Fair Home Ownership Report' to the Howard government went as far as to say 'shared banking' could be the way to 'equitable home ownership for all'.

Meanwhile, top international companies like HSBC are integrating Islamic risk-sharing and Pop-economist Robert Shiller has advocated Islamic style sharing as one of the new ways to pool risk, and encourage global equality.

At this stage, Islamic sharing is a very Australian 'grass-roots affair', says MCCA's Aykan. Sydney and Melbourne MCCA believe that 'building homes and community bridges is a similar process, it's a partnership. A home is like a community, and we all need shelter and a place to keep warm'.

'We cannot all afford one, but together we can', says Aykan. It's a 'Castle' adapted marketing pitch proving popular with the 300,000-strong Muslim Australian community and any other Australians outside Islam worried about 'fine print' loans. Currently MCCA supports 5000 community members, boasts social capital of \$27m and has the distinction of being the first banking institution in Australia to have a waiting list, with 200 people queued for shared finance.

As an alternative to banking, the Islam share house model hopes to once again alter capitalism's appearance, say Aykan and Professor Kalam. After a long history of civilised trade, Islam is now modernising shared housing without modernising interest rates – a breath of fresh air in the 21st century. □

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