

Britain's first Islamic bank opens in London

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AFP

The first bank in Britain to operate on Islamic principles, including interest-free loans, opened its doors on Wednesday in Edgware Road, the heart of London's Arab quarter.

Plates of dates and Arabic pastries were set out on a counter, with a friendly employee stood out front to welcome the first-timers in Arabic.

On its first day of business, the Islamic Bank of Britain (IBB) saw a steady stream of local customers, among them Siza Qais, a coffee shop owner originally from Baghdad.

Qais said he had come to investigate "because this Islamic bank is in the street, in our neighbourhood".

"It's a new bank, I would like to try a new one, Islamic especially. And more important there's no interest," he added.

Islam's Sharia law imposes a series of restrictions on banks, including a ban on charging interest for loans and prohibiting clients' money from being invested in activities linked to alcohol, tobacco and pornography.

To deal with the no-interest rule, the IBB will itself buy the assets sought by clients and then sell them back at a fixed price, via monthly payments.

"We charge a profit for the services which we provide, we do not charge interest," said the bank's director of operations, Michael Hanlon.

"We do not trade money for money. We are actually involved in the physical supply of goods and services to customers," he said.

On Wednesday, 15 people opened a savings account, so far the only product available, according to a staff member, who said that many others had expressed interest but had forgotten to bring a proof of address.

Mortgages are due to be on offer soon, and online banking will be offered from next year, according to the bank, which has posted Arabic-language details of its products in the windows to attract potential customers.

Opening hours are identical to a conventional bank, with the exception of Fridays, when the bank closes between 1:00 and 3:00 pm to allow its employees to attend prayers at the mosque.

AFP interviewed several customers, who all said they held a current account in a British bank, but no other financial product because of the Islamic ban on interest.

"The biggest issue obviously is the issue interest rate," said one Moroccan customer on condition of anonymity.

"We've always been waiting for these opportunities to have an account in a bank where you can get profits which are allowed in our religion," he said.

The IBB was granted formal approval to operate by the Financial Services Authority last month, and is the first bank in Europe to specifically address the needs of Muslims, of whom there are 1.8 million in Britain alone.

It is starting out with a capital of 14 million pounds (20.6 million euros, 25.2 million dollars) and plans to raise another 40 million pounds via a stock market flotation.

"The capital that we have and the capital that we'll be raising is more than sufficient to establish the bank," said Hanlon.

The IBB is being supported by a group of investors based both in the Middle East and Britain, including some major financial institutions.

Its president is Abdul Rahman Abdul Malik, formerly head of the Abu Dhabi Islamic Bank, while other top managers come from institutions including Jordan International Bank and British-based Barclays.

The notion of Sharia-approved finance first emerged in Egypt at the start of the 1960s, and was developed in Saudi Arabia and United Arab Emirates, growing ever bigger.

Around 150 Islamic financial institutions operate in 40 countries, but their unconventional financing arrangements make them tricky to set up in