

# Mainly Mortgages Guide to Sharia Mortgages

If you are looking to buy your next home, but you need a mortgage that complies with Sharia law, then you'll be pleased to know that there are plenty of options to help in the UK. Islamic mortgages, also referred to as Halal mortgages and Sharia mortgages, exist to ensure that you can own your own home while still being compliant with your religion.

If you want to know more about Islamic mortgages, and how they can be deemed as Halal, then we're here to help. Read on and let us tell you more.

## What are Islamic mortgages?

Islamic mortgages are not mortgages in the usual sense. It is perhaps easier to refer to them as being home purchase plans that have been created to ensure that they are Halal friendly. With a mortgage, in the traditional sense of the word, a loan is taken out to buy a home and repayments are made to the lender, along with interest. Of course, Halal does not allow for interest to be charged and so Halal mortgages cater for this.

With an Islamic mortgage, the bank goes ahead and purchase the house on your behalf. It will then either charge you rent on its share until such time as you take full ownership, or it will sell it back to you at a higher price. Both allow for instalments to be paid, but to ensure Sharia compliance, no interest is charged.

## So, how do Sharia mortgages work?

In some ways, Sharia mortgages are similar to regular UK mortgages. Initially, you will enter into a contract with the seller and you will agree upon the price that you are going to pay. When you have done this, the Sharia mortgage provider will buy the property from the seller for you. For this to happen, you will first need to pay a deposit. Generally speaking, the deposit tends to be between 5% and 35%. With a standard mortgage, all funds would be transferred to you so that you could buy the property. You would then repay with interest. This is where Sharia mortgages differ.

With Sharia mortgages, the bank will actually own the property. You will make rent payments or buy the house from the bank at a higher price. This allows the mortgage provider to still profit and sees you owning a home in a way that is 100% Halal.

## How can I be sure that my mortgage is Sharia-compliant?

Those who provide Islamic mortgages ensure that they have experts on hand. These experts are in the form of supervisory committees and they provide guidance on Islamic finance as well as Sharia law. It is their knowledge that ensures that any products are compliant. Should there be any changes to the mortgages that are on offer, they are reviewed by the same committee to ensure that they are still Sharia-compliant.

## Are there any fees involved with Halal mortgages?

With a regular mortgage in the UK, you will find that there are fees involved. This is also the case with Halal mortgages. There will be admin fees to pay, just as there are with a standard mortgage, but with Halal mortgages, these fees tend to be lower. The reason that the fees are lower is that what is on offer is not a mortgage in the traditional sense of the word.

While fees may be lower, it can be the case that Halal mortgages cost more, overall, than a traditional mortgage. The main reason for this is that there are fewer places that provide Halal mortgages meaning that there is less competition when compared to mainstream mortgages. This is the reason why it is vital to seek assistance to explore the whole market to ensure that you are getting the best deal possible.

## How does stamp duty work with Islamic mortgages?

In the UK, when you purchase a property valued at over £125,000 then you need to pay stamp duty. The concern that some people have with Islamic mortgages is that there may be a need to pay stamp duty twice: once when the provider buys the house on your behalf and then again when it is transferred to them. While this was once the case, fortunately, this has changed.

The law changed back in 2003 to ensure that stamp duty was only charged once. This was done to make ensure that people weren't made worse off for using Islamic mortgages compared to mainstream ones.

## Are there any risks associated with Sharia mortgages?

There are two options with Sharia mortgages. The first sees you paying rent to the lender. When this is the case, the amount that you are paying can fluctuate depending on the market conditions. However, you may find that there are introductory offers that fix the payments for a set period of time.

The second option sees you buying the property from the lender at a higher price. This sees fixed payments being made each month over the agreed term. This option can see you paying more than agreeing to pay rent.

Regardless of the option that you choose, there are similar risks that you see with standard mortgages. If you miss payments you can see fines being issued and, ultimately, you could see your home being repossessed. There are protections in place though as, just like with standard mortgages, Sharia mortgages are regulated by the Financial Conduct Authority.

## How we can help

If you are looking for an Islamic mortgage then, at Mainly Mortgages, we can help. As we have seen, when it comes to Islamic mortgages, you need the experts on your side to ensure that you find the very best deals available. That is exactly what we will do for you: we have access to the widest range of Halal mortgages around.

## Next steps

To go ahead and find the best Sharia mortgage for you, the next steps are simple:

- 1) **Get in touch** - simply contact us for a free consultation. We take the time to fully understand your needs.
- 2) **Criteria check** - we will find the lender that best suits your circumstances
- 3) **Apply** - once you apply for your Sharia mortgage we will keep you updated every step of the way.