A Jurisprudential and Legal Analysis of the Conditions of Validity, Permissible Conditions, and Usurious Conditions in Loan Contracts under Imamī Jurisprudence and the Iranian Civil Code

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Abstract

A loan contract (qarḍ), as one of the most fundamental legal institutions within the Islamic financial system, requires the fulfillment of certain conditions for its validity and legal effectiveness; the absence of any of these conditions may result in the invalidity of the contract. In addition, the conditions incorporated into a loan contract may generally be divided into two categories: permissible and lawful conditions, which contribute to the stability and security of financial relations, and prohibited and usurious conditions, which compromise the validity and integrity of the contract and fall within the scope of both religious and legal prohibitions. Employing a descriptive-analytical method and drawing upon authoritative jurisprudential and legal sources, this article examines the conditions governing the validity of a loan contract—including the requirement that the subject matter constitute tangible property, possess lawful economic value, be delivered to the borrower, and be binding—as well as contractual stipulations, distinguishing between permissible conditions, such as a term for repayment, collateral, a guarantor, place of performance, and a stipulation for a reduction in repayment, and prohibited conditions, such as a stipulation requiring an additional material or constructive benefit. The findings demonstrate that Imamī jurisprudence, by establishing a precise framework for the conditions of validity, not only safeguards the stability of financial relations but also prevents the transformation of the loan institution into an instrument of exploitation through the prohibition of usurious stipulations and the articulation of the relevant jurisprudential rule and its exceptions. Drawing upon these jurisprudential foundations, the Iranian legal system has likewise recognized such conditions in Articles 648, 650, and 232 of the Civil Code.

Keywords: loan contract (qarḍ), conditions of validity, usurious conditions, permissible conditions, rule of kull qarḍin jarra nafʿan, Imamī jurisprudence, Iranian law.

Received: 02 August 2025
Revised: 15 December 2025
Accepted: 22 December 2025
Published: 01 January 2026

Citation: Davar, M. K., Alboghobish, S., & Miri, S. M. H. (2026). A Jurisprudential and Legal Analysis of the Conditions of Validity, Permissible Conditions, and Usurious Conditions in Loan Contracts under Imamī Jurisprudence and the Iranian Civil Code. *Legal Studies in Digital Age,* 5(1), 1-10.

1. Introduction

The loan contract is one of the most widely used and fundamental legal institutions in the Islamic and Iranian financial systems and has consistently attracted the attention of jurists and legal scholars. Under this contract, one person transfers ownership of a specified quantity of property to another person, who undertakes to return its equivalent. The loan contract occupies a distinguished position in Imami jurisprudence and has been characterized as a form of "financial worship." In several verses, the Quran employs expressions such as "a goodly loan" and metaphorically attributes the loan to God, thereby elevating this institution beyond the level of a purely economic transaction to the status of a financial act of devotion. In Quran 2:245, God states: "Who is it that will lend God a goodly loan so that He may multiply it for him many times over? God withholds and grants abundance, and to Him you shall be returned." Traditions attributed to the Infallible Imams clearly indicate the virtue and desirability of benevolent lending. Imam al-Sadiq stated: "It is written at the gate of Paradise: charity is rewarded tenfold, whereas a loan is rewarded eighteenfold. A loan is superior to charity because the borrower borrows only out of need, whereas a person may ask for charity even when not in need" (Al-Hurr al-Amili, 1989). A tradition attributed to the Prophet Muhammad similarly states: "Whoever is approached by his Muslim brother with a complaint of need and refuses to lend to him, God will forbid Paradise to him on the day when He rewards the righteous" (Al-Majlisi, 1983). Nevertheless, the validity and legal effectiveness of this contract depend on the fulfillment of certain conditions that have been examined in detail in both Imami jurisprudence and Iranian positive law. These conditions fall into two general categories. The first comprises the conditions governing the validity of the contract itself, without which the loan contract does not properly come into existence; these include corporeality of the subject matter, lawful economic value, delivery and possession, and the binding character of the contract. The second comprises stipulations incorporated into the loan agreement by the parties and is itself divided into two subsets: permissible and lawful stipulations that reinforce and organize financial relations, such as a term for repayment, security, a guarantor, specification of the place of performance, and a stipulation for reduced repayment; and prohibited and usurious stipulations that undermine the integrity of the contract and are prohibited both religiously and legally, such as any stipulated excess benefiting the lender. The principal question of this study is: What are the conditions governing the validity of a loan contract from the perspectives of Imami jurisprudence and Iranian law, and what evidence supports their validity? Furthermore, how can contractual stipulations be distinguished as permissible or prohibited, and to what extent is the Iranian legal system consistent with the jurisprudential foundations in this respect? The significance and necessity of the present study arise from the fact that many judicial disputes concerning loans result from inadequate knowledge of these conditions and from confusion between them. For example, some individuals, without regard to the requirement that the subject matter be corporeal property, attempt to lend a debt or a usufruct, which results in the invalidity of the contract (Emami, 2015). Conversely, some persons confuse a "security-related benefit," such as collateral, with a "usurious excess," such as stipulated interest, and thereby engage in usurious transactions that are both religiously prohibited and legally invalid.

2. Research Background

The jurisprudential background of this issue can be traced to the works of prominent jurists such as Shaykh al-Tusi in *The Expanded Treatise on Imami Jurisprudence* (Al-Tusi, 2008), al-Muhaqqiq al-Hilli in *The Laws of Islam* (Al-Hilli, 1988), the author of *Jewels of Discourse* (Al-Najafi, 1983), Shaykh al-Ansari in *Prohibited Transactions* (Al-Ansari, 1995), and Imam Khomeini in *The Means of Liberation* (Khomeini, 2011). Among contemporary jurists, Ayatollah al-Khoei in *The Lamp of Jurisprudence* (Mousavi Khoei), Ayatollah Khamenei in *Answers to Questions of Islamic Law* (Khamenei, 2020), and Ayatollah al-Sistani in *The Path of the Righteous* (Al-Sistani, 1995) have examined these conditions in detail. In Iranian law, Seyyed Hassan Emami (Emami, 2015), Nasser Katouzian (Katouzian, 2014), and Seyyed Morteza Ghasemzadeh (Ghasemzadeh, 2019) have analyzed these conditions from a legal perspective. Nevertheless, Persian-language scholarship contains relatively few studies that examine both categories of conditions in a comparative and systematic manner, namely the conditions governing the validity of the contract and the contractual stipulations, whether permissible or prohibited. The present study seeks to fill this gap.

3. Fundamental Concepts

3.1. Definition of Loan

In Arabic lexicography, the term "loan" derives from a root conveying the meaning of cutting or separating part of one's property and giving it to another. Ibn Faris, in examining the lexical roots of the term, explains that its consonantal root signifies cutting and separation and that the word "loan" derives from the notion of separating part of one's property and giving it to another person (Ibn Faris, 1983). Ibn Manzur likewise defines a loan as giving something to another in order to receive its equivalent in return (Ibn Manzur, 1994). This lexical root contains two key notions, "separation" and "restitution or return," which constitute the foundation of the legal nature of a loan. In Imami jurisprudence, a loan is a specific legal concept with defined elements. Imam Khomeini defines a loan as the delivery of property to another under a guarantee, so that repayment of the property itself, its equivalent, or its value becomes an obligation of the recipient; in other words, a loan consists of transferring ownership of property subject to the recipient's obligation to return the thing itself, its equivalent, or its value (Khomeini, 2011). The author of *Jewels of Discourse* defines a loan as the transfer of ownership of corporeal property subject to liability for its equivalent or value (Al-Najafi, 1983). Article 648 of the Iranian Civil Code defines a loan as "the transfer of ownership of a specified quantity of property to another party subject to the obligation to return its equivalent in quantity, kind, and quality."

3.2. Concept of Property

In jurisprudence, property is something possessing two characteristics: "customary economic value," meaning exchange value recognized by reasonable persons, and "lawfulness of use," meaning that its use is religiously permissible. The author of *Jewels of Discourse* explains that property is something customarily regarded as having economic value and for which wealth is ordinarily exchanged, and that the object of a transaction must be something whose use is religiously permissible; otherwise, it is not regarded as property under the law of religion and the legal rules governing property do not apply to it (Al-Najafi, 1983). Property may take the form of a corporeal object, such as a house or wheat; a debt, meaning an established claim against another person's estate; or a usufruct, meaning a benefit derived from a corporeal object, such as residing in a house. A loan contract may be concluded only in relation to corporeal property; the lending of a debt or a usufruct is invalid (Khomeini, 2011).

3.3. Concept of Usury:

Lexically, usury denotes increase and growth. Ibn Faris explains that the relevant linguistic root conveys the meaning of increase and growth (Ibn Faris, 1983). In jurisprudential terminology, al-Muhaqqiq al-Hilli defines usury as a stipulated excess in transactions that are subject to the rules of usury (Al-Hilli, 1988). Al-Shahid al-Thani states that usury is of two types: loan usury, which arises where an excess is stipulated in a loan contract, and exchange usury, which arises where fungible goods of the same kind are exchanged with an excess on one side (Al-Shahid al-Thani, 1993).

4. Conditions Governing the Validity of the Loan Contract

In Imami jurisprudence and Iranian law, Imami jurists identify four fundamental conditions for the validity of a loan contract, failure to satisfy any one of which results in invalidity. These conditions are rooted in the proprietary nature of the loan contract and the practical requirements of the transaction. They play a decisive role in determining the validity and legal effectiveness of the contract and, in effect, contribute to the systematic regulation of financial relations.

4.1. Requirement of Corporeal Property: The Foundation of Transfer of Ownership

One of the fundamental conditions for the validity of a loan contract is that the subject matter of the loan constitute corporeal property. Imami jurists have generally defined a loan as the "transfer of ownership of corporeal property" and regard the lending of a debt or usufruct as invalid (Al-Hilli, 1988; Al-Najafi, 1983). The author of *Jewels of Discourse* explains that a loan is the transfer of ownership of corporeal property subject to liability for its equivalent or value, whereas a debt cannot validly be lent because it cannot be transferred as corporeal property; an attempted loan of a debt is, in substance, an assignment or transfer of liability (Al-Najafi, 1983). Al-Shahid al-Thani states in *The Paths of Understanding* that the property lent must be corporeal and that a debt therefore cannot validly be lent because a loan constitutes a transfer of ownership, whereas a debt cannot be possessed in that manner (Al-Shahid al-Thani, 1993). Imam Khomeini similarly states that the lending of a debt or usufruct is invalid, while a fungible obligation described by ascertainable characteristics may validly form the subject of a loan where its attributes can be sufficiently determined (Mousavi Khomeini). The reasons supporting the requirement of corporeality include the substantive rationale, namely that the intrinsic nature of a loan consists in transferring ownership and that such transfer is appropriately applicable to corporeal property; the liability rationale, namely that immediate liability arises upon possession of the loaned property and is not compatible in the same way with a debt or usufruct; and the uncertainty rationale, because lending a debt, particularly one that is not immediately due, may give rise to excessive uncertainty concerning the subject matter of the obligation (Al-Ansari, 1995; Fazel Lankarani, 2003). Emami explains from a legal perspective that the subject matter of a loan must be corporeal property rather than a debt or usufruct, because a loan transfers ownership, and such transfer cannot be conceived in the same manner with respect to a debt or usufruct. This condition is logical because the property becomes owned by the borrower, who becomes liable for its equivalent or value. If the subject matter is a debt, delivery is impossible in the required sense; if it is a usufruct, it lacks independent corporeal existence (Emami, 2015). In Iranian law, Article 648 of the Civil Code, by defining a loan as a transfer of ownership of property, similarly emphasizes the requirement of corporeality. Katouzian also explains that a loan is a proprietary contract involving the transfer of ownership and that the transfer concerns corporeal property. A debt constitutes a claim and cannot be delivered as corporeal property. This distinction separates a loan from an assignment: in an assignment a debt is transferred, whereas in a loan corporeal property is transferred (Katouzian, 2014). With respect to fiat money, although contemporary currency is not a corporeal commodity in the same sense as a gold coin, contemporary jurists generally treat it as equivalent to corporeal property for the purposes of a loan because it possesses definite customary economic value and is capable of delivery and possession. Commercial custom ultimately plays a decisive role in identifying what qualifies as property capable of possession.

4.2. Requirement of Lawful Economic Value: The Religious Limits of Property

The property constituting the subject matter of a loan must possess "lawful economic value," meaning that its ownership and use must be religiously permissible (Al-Najafi, 1983). In defining lawful property, the author of *Jewels of Discourse* explains that it is something customarily treated as wealth and for which property is ordinarily exchanged, and that the object of a transaction must be something whose use is religiously permissible. Otherwise, it is not regarded as property in the legal understanding of religion and the legal consequences applicable to property do not attach to it (Al-Najafi, 1983). Imam Khomeini expressly states that something whose ownership is not legally valid, such as wine or pork in relation to a Muslim, cannot validly be lent (Khomeini, 2011). The grounds for the requirement of lawful economic value include juristic consensus; the principle that prohibited objects cannot validly be owned where either the object itself or its use is religiously prohibited; the principle prohibiting illegitimate domination, insofar as lending prohibited property contributes to its circulation and reinforcement; and preservation of a sound economic order, since one of the objectives of religious law is to protect the financial system of society from contamination by unlawful property (Al-Ansari, 1995; Fazel Lankarani, 2003). Katouzian explains from a legal perspective that the requirement of lawfulness in the subject matter of a transaction derives from two principles: first, freedom of contract is limited by public order; and second, contractual effects cannot conflict with public morality or mandatory legal rules. Lending unlawful property not only invalidates the contract but may also give rise to civil liability (Katouzian, 2014). Article 190 of the Iranian Civil Code likewise recognizes the legitimacy of the purpose of a transaction as a condition of contractual validity. Unification Judgment No. 632 of July 27, 1999, provides, with reference to Article 215 of the Civil Code, that the subject matter of a transaction must possess a lawful and rational benefit (Ghasemzadeh, 2019). Advisory Opinion No. 2789/7 of the General Legal Department of the Judiciary, dated June 2, 2003, similarly provides that lending property whose use is prohibited, such as alcoholic beverages, is invalid and that, even if the property is destroyed, the borrower is not liable under the loan contract because the contract was invalid from the outset (Ghasemzadeh, 2019).

4.3. Requirement of Delivery and Possession: The Constitutive Element of the Contract

A loan is a real contract, and delivery and possession of the property constitute conditions for its validity and completion. Imam Khomeini states that delivery and possession are required for the validity of a loan (Khomeini, 2011). The basis of this requirement lies in established rational practice and juristic consensus. Ayatollah Fazel Lankarani explains that the requirement of possession in a loan is regarded as an unquestioned proposition. Reasonable members of society understand a loan as involving the separation of part of one's property and its delivery to another, and this meaning cannot be realized unless the property leaves the lender's control and enters the borrower's possession (Fazel Lankarani, 2003). The author of *Jewels of Discourse* similarly states that the borrower does not acquire ownership of the loaned property until possession has occurred (Al-Najafi, 1983).

The legal consequences of possession include the transfer of ownership from the lender to the borrower, the commencement of the borrower's liability for the equivalent or value of the property, and the commencement of the repayment period (Khomeini, 2011). Possession may be actual, such as the physical delivery of money, or constructive, such as through a bank transfer or delivery of a title document (Khomeini, 2011). Although the Iranian Civil Code does not expressly characterize a loan as a real contract, an examination of its provisions and the views of legal scholars indicates that delivery of the property is required for the transfer of ownership. Emami states that a loan is a real contract and that, in addition to offer and acceptance, possession of the property is necessary for its validity (Emami, 2015). Advisory Opinion No. 4568/7 of the General Legal Department of the Judiciary also emphasizes this requirement (Ghasemzadeh, 2019). Before delivery, the loan contract remains incomplete. If the property is destroyed before delivery, the loss falls upon the lender, who cannot assert a claim against the prospective borrower. Following delivery, ownership and the risk of loss pass to the borrower (Katouzian, 2019). In the digital era, constructive possession may be realized through a bank transfer or a transfer executed through a blockchain-based system. Contemporary jurists maintain that where electronic assets possess customary economic value and are capable of delivery and possession, they may be treated as property eligible to constitute the subject matter of a loan (Zamani, 2019).

4.4. Binding Nature of the Loan Contract: Stability of the Legal Relationship

Once validly formed, a loan contract is binding, and neither party may unilaterally terminate it (Al-Najafi, 1983). Al-Muhaqqiq al-Hilli states in *The Laws of Islam* that the loan contract is binding (Al-Hilli, 1988). The general presumption that contracts are binding and the Quranic command to "fulfill contracts" in Quran 5:1 support this rule. Imam Khomeini states that the stronger view is that where deferment is stipulated in a loan, the stipulation is valid and must be observed (Mousavi Khomeini). Al-Shahid al-Thani explains in *The Paths of Understanding* that the binding character of a loan contract is among the established propositions of Imami jurisprudence and that contrary opinions are rare (Al-Shahid al-Thani, 1993). By contrast, some early jurists, including Shaykh al-Tusi in one of his works, regarded the loan contract as revocable, but this view was criticized by later jurists. After discussing the disagreement, the author of *Jewels of Discourse* adopts the majority view that the contract is binding and observes that it may even be possible to claim consensus among later jurists on this point (Al-Najafi, 1983). Emami likewise states that a loan is a binding contract and that neither party may terminate it unilaterally (Emami, 2015). This binding character means that unilateral termination is unavailable; however, as regards the lender's right to demand repayment, if no repayment term has been stipulated, the lender may demand the debt at any time and the borrower must repay it immediately (Fazel Lankarani, 2003). If a repayment term has been stipulated, the lender may not demand payment before maturity, and a court should reject a premature claim (Katouzian, 2014).

5. Stipulations Incorporated into the Loan Contract: Permissible and Prohibited Conditions

Stipulations incorporated into a loan contract are divided into two general categories: permissible and lawful stipulations that contribute to the stability of financial relations, and prohibited and usurious stipulations that threaten the integrity of the contract.

5.1. Permissible and Enforceable Stipulations

In jurisprudential sources, these stipulations are discussed as lawful contractual conditions and function as mechanisms for providing security and predictability, managing risk, and fostering trust (Al-Ansari, 1995; Khomeini, 2011). Their purpose is to facilitate financial relations and safeguard the rights of the parties within the boundaries of religious law.

5.1.1. Stipulation of a Repayment Term

A stipulation establishing a specified period for repayment is valid and, once incorporated into the contract, is binding upon the parties, particularly the lender. Imam Khomeini states that the stronger view is that where deferment is stipulated in a loan contract, the stipulation is valid and must be performed (Khomeini, 2011). This rule is supported by the general evidence concerning the binding character of contractual stipulations, including the principle that believers are bound by their conditions (Al-Majlisi, 1983), as well as established rational practice (Al-Naraqi, 1998). The consequence of breach of this stipulation is that the lender has no right to demand repayment before maturity, and the court should reject such a premature claim (Katouzian, 2014). This condition fulfills the borrower's principal objective of satisfying a financial need for a specified period and, because it is incorporated into a binding loan contract, it is itself enforceable. Under Iranian law, the conversion of an immediately payable debt into a deferred debt through agreement of the parties is recognized, and judicial practice has developed on this basis (Katouzian, 2019).

5.1.2. Stipulation Determining the Place of Performance

Where the parties stipulate that repayment must take place in a specified city or country, the condition is valid and enforceable. Ayatollah al-Sistani states that if repayment of the loan is stipulated to occur in a particular place, the stipulation must be observed; the borrower may not perform elsewhere, nor may the lender demand payment elsewhere (Al-Sistani, 1995). In the absence of such a stipulation, the place where the contract was concluded is regarded as the place of payment (Al-Najafi, 1983). The author of *Jewels of Discourse* emphasizes the obligation to observe contractual stipulations, including a stipulation concerning place of performance, and regards this obligation as one of the consequences of the binding character of the contract (Al-Najafi, 1983). In Iranian law, Article 276 of the Civil Code requires performance of an obligation at the agreed place (Ghasemzadeh, 2019). If the borrower performs at a different place, such performance may be regarded as non-performance in accordance with the agreed terms, and the lender may refuse it (Katouzian, 2016). This stipulation is particularly important in contemporary cross-border transactions, given differences in currency values and transfer risks, and can prevent serious disputes in international contracts.

5.1.3. Stipulation of Security and a Guarantor

A stipulation requiring collateral, a guarantor, or a surety in a loan contract is permissible and valid. For example, a lender may state that the loan will be granted on the condition that the borrower provides a guarantor or collateral. Shaykh al-Ansari explains that there is no objection to requiring collateral or a surety in a loan because these are mechanisms of security and are unrelated to usury (Al-Ansari, 1995). The reason for permissibility is that these stipulations provide security for recovery of the principal amount lent and do not intrinsically increase the amount of the debt (Al-Na'ini, 1991). Article 771 of the Iranian Civil Code recognizes a creditor's right to obtain security for a debt (Emami, 2015). Article 684 of the Civil Code also expressly permits a guarantee in relation to a loan obligation (Katouzian, 2019). Ayatollah Khamenei, in response to a question concerning the requirement of a guarantor in a loan, states that obtaining a guarantor is permissible and does not constitute usury (Khamenei, 2020). Legally, these stipulations involve attaching an ancillary contract, such as security or guarantee, to the principal loan contract. This may be accomplished in a single instrument or through two separate stages.

If the borrower refuses to provide the agreed security or guarantor, the lender may withhold delivery of the loan amount because the parties' contractual obligations are interrelated, or, after advancing the loan, may seek a judicial order compelling the borrower to provide the agreed security or guarantor.

5.1.4. Stipulation of Repayment in a Different Kind Subject to Equivalence of Value

It is permissible for the lender to stipulate that the borrower repay the debt in property of a different kind, such as requiring money instead of wheat, provided that the value of the repayment is equal to or less than the value of the property lent. Imam Khomeini states that where repayment in a different kind is stipulated, such as lending food and requiring repayment of its monetary value, the stipulation is permissible if the values are equal or if the stipulated repayment is of lesser value; if it is of greater value, the transaction constitutes usury (Khomeini, 2011). Ayatollah Khamenei likewise states that if the borrower is required to repay with property of a different kind, there is no objection provided its value is equal to or lower than the value of what was borrowed; only an excess in value constitutes prohibited usury (Khamenei, 2020). From a legal perspective, such a condition may be characterized as a substitution or novation of the obligation. Under Article 292 of the Civil Code, an obligation may be transformed so that the debtor performs by delivering different property to the creditor (Emami, 2015). This rule enables the parties to design a flexible agreement that responds to changing economic needs by stipulating repayment in another form, provided that financial equivalence is respected and any demand for an additional benefit is avoided. This has considerable practical significance in contemporary Islamic financial contracting and in facilitating transactions under conditions of market volatility.

5.1.5. Stipulation of Reduced Repayment for the Borrower's Benefit

Any stipulated reduction benefiting the borrower, such as lending ten thousand monetary units on the condition that only eight thousand be repaid, is permissible. Shaykh al-Ansari explains that if a reduction is stipulated for the borrower's benefit, such as lending ten units on the condition that only eight be repaid, or lending intact coins on the condition that damaged coins may be returned, the stipulation is permissible because there is no evidence prohibiting it (Al-Ansari, 1995). This rule reflects the protective, compassionate, and justice-oriented approach of religious law toward the economically weaker party and demonstrates that religious law not only prevents exploitation by lenders but also encourages leniency and benevolence.

5.2. Prohibited and Usurious Stipulations in the Loan Contract

5.2.1. Prohibition of a Stipulated Excess: Loan Usury

Imami jurists unanimously prohibit the stipulation of any excess in a loan contract (Al-Najafi, 1983). The foundations of this prohibition include the Quranic verses prohibiting usury, including Quran 2:275 and 2:278-279, numerous traditions, and juristic consensus. The author of *Jewels of Discourse* states that stipulating an excess in a loan is impermissible and that repayment must be confined to the equivalent of the principal without any additional benefit, a position supported by consensus and even described as a consensus of Muslims generally (Al-Najafi, 1983). Imam Khomeini similarly states that it is impermissible to stipulate an excess by lending property on the condition that the borrower return more than was borrowed, and that this constitutes prohibited loan usury (Khomeini, 2011). The 1983 Law on Usury-Free Banking Operations requires the banking system to employ alternative contractual structures, such as profit-sharing partnerships, civil partnerships, and contracts for services, and to avoid usury (Zamani, 2019). Unification Judgment No. 597 of July 23, 1997, likewise provides that any stipulated excess in a loan contract is usurious and invalid and that courts must disregard such stipulations and recognize only the principal debt as recoverable (Ghasemzadeh, 2019). Prohibited forms of excess include a material excess, such as lending ten thousand monetary units on the condition that twelve thousand be repaid; an excess in the form of services, such as requiring tailoring or repair work for the lender; an excess in the form of a benefit, such as requiring free residence in the borrower's house; an excess in the form of use, such as requiring the right to use pledged property; and an excess in quality, such as lending worn currency on the condition that new currency be returned. The prohibition is absolute and applies regardless of whether the property lent belongs to a category traditionally subject to usury, such as wheat or gold, or to a category not traditionally subject to those rules, such as fruit or eggs. It also applies to contemporary fiat currency.

5.2.2. The Rule That Every Loan Generating a Benefit Constitutes Usury

In discussions of the prohibition of loan usury, jurists refer to the rule that "every loan that generates a benefit constitutes usury," a maxim transmitted in traditional sources (Al-Hurr al-Amili, 1989). Jurists have nevertheless discussed the scope and implication of this rule and generally agree that it is subject to defined limits. Al-Naraqi maintains that the rule concerns a financial benefit stipulated from the outset and does not extend to a security-related benefit arising from collateral or a guarantor (Al-Naraqi, 1998). He explains that the relevant benefit is an additional financial benefit over and above the principal of the loan stipulated in favor of the lender; arrangements intended merely to provide security and assurance, such as collateral and guarantee, do not fall within the scope of the rule (Al-Naraqi, 1998). Ayatollah al-Khoei similarly observes that where the benefit is intrinsic and inseparable from the process of securing repayment, as in the assurance obtained from collateral, it does not fall within the prohibition (Mousavi Khoei). He further states that not every benefit constitutes usury; rather, usury consists of an additional benefit beyond the principal that is stipulated in the contract (Mousavi Khoei). Accordingly, what is prohibited is an additional financial benefit beyond the principal that is imposed as a binding stipulation in favor of the lender (Al-Ansari, 1995). A requirement of collateral or a guarantor falls outside the scope of the rule because it does not constitute a financial increment but rather a security-related and assurance-based benefit (Katouzian, 2014). In this context, it should be noted that some contemporary researchers, relying on the rule, have regarded every benefit accruing to the lender as prohibited. This view, however, has been criticized by prominent jurists, and the prevailing position in Imami jurisprudence distinguishes between a stipulated financial benefit and a security-related benefit.

5.2.3. Exceptions to the Prohibition of a Stipulated Excess

There are two important exceptions to the prohibition of excess, demonstrating the flexibility of religious law notwithstanding its strict position against usury and creating space for benevolence and cooperation in financial relations. The first exception is an unstipulated excess, namely a voluntary gift. If no condition was imposed at the outset and, after the loan period, the borrower voluntarily gives the lender a gift or additional amount out of gratitude, the act is not prohibited. Rather, it is regarded as commendable conduct by the borrower and as a form of exemplary repayment (Al-Kulayni, 1987). A tradition attributed to Imam al-Sadiq states that there is no objection to lending money to a person who later rewards the lender with more than the amount advanced, provided that no prior condition to that effect existed between them (Al-Hurr al-Amili, 1989). The second exception is a stipulated reduction benefiting the borrower, for example where the lender gives ten monetary units on the condition that the borrower return only eight. These exceptions demonstrate that the central concern of the prohibition is profit-seeking by the lender. A stipulation benefiting the borrower and imposing a loss on the lender, such as a reduction in amount or quality, is therefore not prohibited and may instead represent leniency and benevolence on the part of the lender.

5.2.4. Separability of an Invalid Stipulation from a Valid Loan Contract

One of the most important and practically significant jurisprudential rules applicable to usurious contracts is that "the usurious stipulation is invalid, while the underlying loan contract remains valid" (Al-Ansari, 1995). This rule is supported by a tradition attributed to Imam al-Baqir according to which any condition contrary to the Book of God is invalid while the contract itself remains valid (Al-Hurr al-Amili, 1989). Article 232 of the Iranian Civil Code provides that certain stipulated conditions are invalid but do not invalidate the contract, including a condition that is unlawful. A usurious stipulation is clearly unlawful and, pursuant to this provision, is invalid without rendering the loan contract itself invalid. Accordingly, a loan agreement containing a usurious condition remains a valid contract accompanied by an invalid stipulation. Consequently, the principal obligation, namely repayment of the equivalent or value of the property borrowed, remains fully effective and enforceable, while the obligation to pay the excess has no legal effect because of its unlawfulness, and the borrower may refuse to pay it. Ayatollah Khamenei states in this respect that if a person borrows from a bank that operates on a usurious basis while intending to be indebted only for the amount actually received and not for the interest, only the amount actually received remains his obligation (Khamenei, 2020). The author of *Jewels of Discourse*, while acknowledging disagreement on the issue, likewise supports the validity of the loan contract and the invalidity of the usurious stipulation (Al-Najafi, 1983). This rule constitutes a practical remedial mechanism for individuals confronted with usurious financial arrangements and may protect them against oppressive and escalating debt burdens.

6. Comparative Analysis and Conclusion

A comparative examination of the conditions governing the validity of a loan contract and the stipulations incorporated into such a contract, whether permissible or prohibited, in Imami jurisprudence and Iranian law demonstrates that this legal institution is characterized by considerable coherence and doctrinal sophistication. With regard to validity conditions, Imami jurists have developed a precise framework comprising corporeality, meaning that the subject matter of the loan must constitute corporeal property and that the lending of a debt or usufruct is invalid; lawful economic value, meaning that the property must possess economic value and its use must be religiously permissible, so that lending prohibited property is invalid; delivery and possession, meaning actual or constructive delivery of the property as a constitutive element without which the contract remains incomplete; and binding force, meaning that unilateral termination is unavailable and the legal relationship is stabilized. These conditions, each of which is rooted in the proprietary nature of the loan contract and the practical requirements of the transaction, strengthen financial relationships while preventing disputes and harms arising from ambiguity concerning the subject matter and essential elements of the agreement. The Iranian legal system, drawing upon these jurisprudential foundations, has incorporated these principles into Article 648 of the Civil Code, which defines the loan and reflects the corporeality requirement, and Article 650, which concerns the binding character of the loan and the permissibility of stipulating a term (Emami, 2015). With respect to contractual stipulations, a clear distinction is drawn between permissible stipulations, including a repayment term, collateral, a guarantor, determination of the place of performance, a reduction benefiting the borrower, and an unstipulated excess, and prohibited usurious stipulations, namely any stipulated excess benefiting the lender. The rule that every loan generating a benefit constitutes usury concerns a stipulated additional financial benefit and does not encompass the security-related benefit arising from collateral or a guarantor (Al-Naraqi, 1998; Mousavi Khoei). The crucial rule that the loan remains valid while the usurious stipulation is invalid, which is reflected in Article 232 of the Civil Code, allows the principal loan obligation to remain effective while excluding the usurious increment from enforceability (Katouzian, 2019; Khamenei, 2020). Exceptions to the prohibition of excess, such as an unstipulated additional payment and a stipulated reduction benefiting the borrower, demonstrate the flexibility of religious law notwithstanding its strict prohibition of usury and provide an appropriate framework for benevolence and cooperation in financial relations. Drawing on Imami jurisprudence, the Iranian legal system has recognized these principles in Articles 648, 650, and 232 of the Civil Code, concerning respectively the definition of the loan and the corporeality requirement, the binding nature of the loan and permissibility of a repayment term, and the invalidity of an unlawful stipulation without invalidating the underlying contract. Judicial practice, including Unification Judgments Nos. 597 and 632, has likewise affirmed these principles (Emami, 2015; Ghasemzadeh, 2019). Nevertheless, in practice, confusion between security-related benefits and usurious excesses in certain contracts, together with inadequate awareness of the conditions of validity, particularly the requirement concerning the nature of electronic money, remains among the principal challenges. Reducing this gap requires greater legal awareness concerning the validity conditions and usurious stipulations applicable to loan contracts, as well as enhanced judicial and legal education in this field. It is also recommended that the legislature adopt clearer regulations addressing emerging forms of property, including digital currencies, in order to prevent disputes and concealed forms of usury within the national financial system. This study demonstrates that systematically regulating the conditions of validity and safeguarding the integrity of the loan contract constitute not only jurisprudential and legal requirements but also socioeconomic necessities for realizing justice in financial relations and preventing harms arising from disorder and usurious practices.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

Acknowledgments

Authors thank all who helped us through this study.

Conflict of Interest

The authors report no conflict of interest.

Funding/Financial Support

According to the authors, this article has no financial support.

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