

Ribbis: Matters of Interest

Re'eih

Collateral

/using a
collateral phone

If a lender was given collateral (a mashkon) by the borrower, such as a cellphone with unlimited minutes, may the lender make use of the collateral for himself, or would that be considered as extra payment and consequently present a ribbis problem?

If the borrower had
not allowed the lender to use his phone *previously* in
the *same* manner, he would not be
allowed to use it now either.

If the borrower had
allowed such use previously, the lender may do so now as well.

Expensive

collateral

A borrower gave the lender an item as collateral which was significantly more valuable than the loan amount. Subsequently, the borrower defaulted and did not pay back the loan.

May the lender keep the collateral, or would the extra value of the collateral be considered "extra payment" and thereby present a ribbis problem?

There is a
disagreement among *poskim* if this resembles
ribbis. Therefore one should be *machmir* and
return the difference to the borrower.

However this *issur* only applies where the parties verbally agreed at the outset that
the collateral will be confiscated in the event of loan default (since such an "agreement" can resemble *ribbis ketzutza*).

In cases where the
lender decided on his own volition to keep the *mashkon* (with the borrower's subsequent consent) and there was no pre-determined agreement, it would be permitted.