CHAPTER 5

RIBA AND ITS TYPES

Definition of Riba (Interest)
The word "Riba" means excess, increase or addition. According to Shariah terminology, it implies any excess compensation without due consideration (consideration does not include time value of money).

This definition of Riba is derived from the Quran and is unanimously accepted by all Islamic scholars.

Classification of Riba
There are two types of Riba, identified to date by the scholars namely 'Riba An Nasiyah' and 'Riba Al Fadl'.

Riba An Nasiyah
'Riba An Nasiyah' is defined as excess, which results from predetermined interest (sood) which a lender receives over and above the principal (Ras ul Maal) in any loan transaction. This is the real and primary form of Riba. Since the verses of the Holy Quran has directly rendered this type of Riba as haram, it is also called "Riba Al Quran." Similarly, since only this type was considered as Riba in the dark ages, so it has earned the name of “Riba Al Jahiliyyah” as well.

The meaning of Riba has been clarified in the following verses of Quran:

(سورة البقرة آية 2:284)
"O you who believe, fear Allah and give up what still remains of riba, if you are believers.[278] But if you do not (give it up), then listen to the declaration of war from Allah and His Messenger.[279] However, if you repent, yours is your principal. Neither wrong, nor be wronged. [279] If there is one in misery, then (the creditor should allow) deferment till (his) ease, and that you forgo it as alms is much better for you, if you really know.[280] Be fearful of a day when you shall be returned to Allah, then every person shall be paid, in full, what he has earned, and they shall not be wronged." [281] (2:278-281)

These verses clearly indicate that the term Riba means any excess compensation over and above the principal amount in any loan transaction, however, the Quran has not altogether forbidden all types of excess; as it is present in trade as well, where it is permissible. The excess that is rendered haram in Quran is a special type termed as Riba. In the dark ages, the Arabs used to accept Riba as a type of sale, which mistakenly is also being understood in the present era as well. Islam has categorically made a clear distinction between the excess in capital resulting from sale and excess resulting from interest. The first type of excess is permissible but the second type is forbidden and rendered Haram.

"That is because they have said: "Sale is but like riba", while Allah has permitted sale, and prohibited riba." (2:275)

Imam Abu Bakr Jassas Razi has outlined a comprehensive legal definition of Riba An Nasiyah in the following words:

"هو القرض المشروط فيه الأجل، زيادة المال على المستقرض. "[أحكام القرآن للحصاص ج2 ص89]"
"That kind of loan where specified repayment period and an amount in excess of capital is predetermined."

One of the ahadith quoted by Ali ibn Abi Talib says:

"عن عمارة أحمد بن علي يقول قال رسول الله صلى الله عليه وسلم كل قرض جر منفعة فهو ريباً"

[مصنف الإمام روايات احمد/ ص 342 تعتبر حديث معتبر]

Ali Ibn Abi Talib narrated that the Holy Prophet said, "Every loan that draws interest is Riba."

The famous Sahabi Fazala Bin Obaid has also defined Riba in similar words:

"عن فضيلة بن عبيد صاحب النبي صلى الله عليه وسلم أنه قال كل قرض جر منفعة فهو وجه من وجهات ريبا"

[السنن الكبرى للبيهقي/ ج 1 ص 342 حديث 339]  

"Every loan that draws profit is one of the forms of Riba?"

The famous Arab scholar Abu Ishaq az Zajjaj also defines Riba in the following words:

"كل قرض يأخذ به أكثر منه"

"Every loan that draws more than its actual amount."

Riba An Nasiyah refers to the additional premium which is paid to the lender in return for his waiting as a condition for the loan and is technically the same as interest. The prohibition of Riba An Nasiyah is one of those issues which have been confirmed in the revealed laws of all Prophets (.). Some of the old testaments has rendered Riba as haram (See Exodus 22:25, Leviticus 25:35-36, Deutromony 23:20, Psalms 15:5, Proverbs 28:8, Nehemiah 5:7 and Ezakhiel 18:8,13,17 & 22:12).
The Quran has also stated the prohibition of Riba in various verses and has warned those who persist in practicing it of a war which is certain to be declared on them by Allah Himself and His messenger and has seriously threatened those engaged as writer, witness and dealer in Riba transactions. These verses and ahadith will be discussed at length in a separate chapter 6 of this book.

According to the above definition of Riba An Nasiyah, the giving and taking, paying and receiving of any excess amount in exchange for a loan at an agreed rate is included in interest regardless of whether its being at a high or low rate. It has been proven through ahadith that the Holy Prophet paid excess at the time of loan repayment but since this excess was not agreed therefore, it cannot be called interest. This clarifies that the word "draws" in the hadith definition "Every loan that draws interest is Riba." Taking paying and receiving of excess amount, as a pre agreed term/condition in the loan contract. Due to this, Imam Abu Bakr Jassas has added the word "pre-determined" to the definition. The fact that Riba An Nasiyah is categorically haram has never been disputed in the Muslim community.

In short, the Riba (interest) of today considered to be the pivot of human economy and features in discussions on the problem of interest is nothing but this Riba, whose unlawfulness in terms of shariah is proved on the authority of the seven verses of the Quran, of more than forty ahadith and of the consensus of the Muslim community.

Wisdom behind the prohibition of Riba An Nasiyah
Although no specific reason has been pointed out in the Holy Quran or in the narration of the Holy Prophet for the prohibition of Riba however, various malfunctions are apparent as a result
of indulgence in Riba based activities, which are as follows:

First of all, must realize that there is nothing in the entire creation of the world, which has no goodness or utility at all. But it is commonly recognized in every religion and community that things which have more benefits and less harms are called beneficial and useful. Conversely, things that cause more harm and less benefits are taken to be harmful and useless. Even the noble Quran, while declaring liquor and gambling to be haram, proclaimed that they do hold some benefits for people but the curse of sins they generate is far greater than the benefits they yield. Therefore, these cannot be called good or useful; on the contrary, taking these to be acutely harmful and destructive, it is necessary that they must be avoided.

The case of Riba An Nasiyyah is not different. Here, the consumer of Riba does have some casual and transitory profits apparently coming to him, but its curse in this world and in the Hereafter is much too severe as compared to this benefit. Those who indulge in Riba suffer such a spiritual and moral loss that it virtually takes away the great quality of being 'human' from him. An intelligent person who compares things in terms of their profit and loss, harm and benefit can hardly include things of casual benefit with an everlasting loss in the list of useful things. Similarly, no sane and just person will say that personal and individual gain which causes loss to the whole community or group is useful. In theft and robbery for example, the gain of the gangster and the take (loot) of the thief is all too obvious but it is certainly harmful for the entire community since it ruins its peace and sense of security.

**Riba Al Fadl**

The second classification of Riba is Riba Al Fadl. Since the
prohibition of this Riba has been established on the basis of Sunnah, it is also called “Riba Al Hadees.”

Riba Al Fadl actually means that excess which is taken in exchange of specific homogenous commodities and encountered in their hand-to-hand purchase & sale as explained in the famous hadith:

"الذهب بالذهب مثلاً مثل، والفضة بالفضة مثلاً مثل، والعمار بالعمار مثل، والبالي بالبالي مثل، والملح بالملح مثلاً مثل، والشعر بالشعر مثل، فمس واد أو أزر وتقتري عليه، بيعاً الذهب بالفضة كيف يتم تنفيذه، وبيع الشعر بالشعر كيف يتم تنفيذه، بالنذر المعمول، ج.ص. 13، حديث 1694 غ.

The Prophet ﷺ said, "Sell gold in exchange of equivalent gold, sell silver in exchange of equivalent silver, sell dates in exchange of equivalent dates, sell wheat in exchange of equivalent wheat, sell salt in exchange of equivalent salt, sell barley in exchange of equivalent barley, but if a person transacts in excess, it will be usury (Riba). However, sell gold for silver anyway you please on the condition it is hand-to-hand (spot) and sell barley for date anyway you please on the condition it is hand-to-hand (spot)."

Amwaal-e-Ribawiyyah
This hadith enumerates in the six (06) different commodities namely:

1) Gold
2) Silver
3) Dates
4) Wheat
5) Salt
6) Barley

These six commodities can only be bought and sold in equal quantities and on spot. An unequal sale or a deferred sale of
these commodities with similar commodities will constitute Riba. These six commodities in fiqh terminology are called "Amwaal-e-Ribawiyyah". Does this hadith apply only to the items mentioned in it? Does it concern sales of barley or wheat but not rice? Of dates but not raisins? A complete legal definition differs in every fiqh. Scholars such as Taoos and Qatada hold that Riba Al Fadl includes these specified types only, however a majority of Islamic scholars believe that some other commodities should also be included. In order to determine other commodities that are to be included in the Amwaal-e-Ribawiyyah, some fiqhs hold that the characteristics which are common amongst these items can be used as basis/illat for Riba Al Fadl. An illat is the attribute of an event that entails a particular divine ruling in all cases possessing that attribute; it is the basis for applying analogy. Ribawi goods are therefore goods that exhibit one of the efficient causes that results in the activation of the rules of Riba. Various schools define these causes differently:

**Imam Abu Hanifa**

Imam Abu Hanifa sees only two common characteristics namely:

1) Weight or Volume
2) Exchange is between similar commodities

Meaning all these six goods are sold by either weight or volume. Therefore, all those commodities, which are measured through either the units of weight or the units of volume and are exchanged against the same commodity, will fall under the rules of Riba Al Fadl.

**Imam Shafi**

The two characteristics observed by Imam Shafi are:
1) Medium of Exchange  
2) Eatable (Edible)  

Therefore, this law will apply on everything edible or having the natural ability of becoming a medium of exchange (currency).

**Imam Maalik**  
Imam Maalik identified the following two characteristics:  
1) Eatables (Edibles)  
2) Preservable

**Imam Ahmad Bin Hanbal**  
Three citations have been related to him:  
i) First citation conforms to the opinion of Imam Abu Hanifa  
ii) Second citation conforms to the opinion of Imam Shafi  
iii) Third citation includes three characteristics at the same time i.e. edible, weight and volume.

However, all schools of thought are unanimous that if one of the two characteristics are found then tafazul i.e. difference in quantity is allowed, but Nasiyah i.e. credit / deferred sale is not allowed.

**Wisdom behind the prohibition of Riba Al Fadl**  
The prohibition of Riba Al Fadl is intended to ensure justice and remove all forms of exploitation through 'unfair' exchanges and to close all back-doors to Riba An Nasiyah because in the Islamic Shariah, anything that serves as a means to the unlawful is also unlawful.
The laws of Riba Al Fadl

After closely analyzing the meaning and interpretation of the above hadith and their explanation in further hadith along with issues raised in reference work of Hanafi fiqh, the following rules and laws governing Riba Al Fadl have been derived:

1. It is evident that the exchange of homogeneous commodities will only be required if they differ in quality and characteristic e.g. different genus of rice and wheat, superior quality gold and inferior quality gold, mineral salt and sea salt etc. The exchange of any of these six commodities with itself, but differing in types/quality (which is called barter in modern terminology), even when considering market rate, is prohibited in unequal amount. The reason being that by exchanging these commodities in unequal amounts, there is a fear of developing the rationale in a person eventually leading to interest (sood) based earnings and illegal benefits. Such transactions might also lead to defrauding. As a step to prevent this state, the Shariah has made it a law that exchange of any of these six commodities with itself but differing in quality, is allowed in only one of the following forms:

a) Any difference in value/quality should be ignored and the commodities should be exchanged in equal amounts (equal weight and volume).

b) Instead of direct exchange of commodities of the same kind, a person should sell his commodity against cash at the market value and buy someone else's commodity in exchange of cash proceeds at the market value.

2. One of the ways of transacting commodities of the same kind
is that a person has a raw material and someone else has a product made of that material and both decide to exchange their product. In this case, one has to see whether:

a) The characteristics of the product have been totally changed by the industry: For e.g. the remarkable changes that transform raw cotton into cloth or iron into machinery. In this case, it is permissible to transact lesser amount of cloth against greater amount of raw cotton or raw iron having more weight against machinery having lighter weight.

b) Little difference has been made to its original form after its formulation: For e.g. gold which changes its shape in the form of jewelry. In this case, the Shariah holds that such a transaction should not happen in the first place or if it does, the exchange should be in equal weights in order to discourage unfair deals. Another alternative would be to sell gold against cash and the cash proceeds are used to buy the needed jewelry. The reason for the impermissibility of the former transaction is the fact that it is not possible in a barter transaction, except for an expert, to visualize the fair equivalent of one commodity in terms of all other goods. Hence, the equivalent may be established only up to an approximate value thus leading to some injustice to one party or the other. The use of money could therefore help reduce the possibility of an unfair exchange.

3. Different commodities can be unequally exchanged but deferred payment is not allowed. For e.g. one kg wheat can
be sold against two kg date or one gram of gold can be exchanged against four grams of silver on the condition that they are spot transactions.

The general condition of sale, however, that needs to be borne in mind while making a sale transaction is that the goods are specified in addition to the cash aspect of the transaction. The correct way of specifying is that gold and silver should be under the possession of the sellers or delivered at the place of contract.

This rule applies to only exchange of gold and silver, however, other goods can be exchanged against each other.

For e.g. Suleman made a spot sale of one kg wheat to Farhan with two kg salt against future delivery after having identified their goods, this transaction is allowed in Shariah. However, if Zaid was selling one tola of gold to Bakar against forty tola of silver, then it is necessary that both take delivery of their purchased goods at the place of contract because without delivery, goods cannot be specified.

To sum up, the Hanafi jurists maintain that in case of commodities that weigh or measure, it is illegal to transact unequally or on credit if the transaction is between two similar commodities. But in case of different commodities, unequal exchange is legal but credit remains illegal; the transaction in this case too should be spot.

Commercial Interest and Usury

In the 17th century, two new technical terms of interest emerged after the establishment of banking system, namely:
1. **Tijarti Sood (Commercial Interest):** Interest paid on loan taken for productive and profitable purposes.

2. **Sarfi Sood (Usury):** Interest paid on loan taken for personal need and expenses.

### The Background of Both Types

The present day conventional banking system, which has given interest the moral and legal license, is the backbone of the prevalent capitalism.

When Muslim countries became subjugated to the West in their economic field, some westernized Muslims in the 19th century, on one side, saw the increasing progress of the west in trade and industry and on the other side saw the shattering economic condition of fellow Muslims states. They also became conscious of the fact that banking is inevitable in the field of trade and industry, not only on national, level but also internationally as well. This prompted them to say that only usury is haram (illegal) but not commercial interest because rendering commercial interest haram would pose irresolvable problems to their way up to industrialization and economic progress. They only included usury in the term "Riba" as categorically prohibited in the Holy Quran and sunnah and freed commercial interest from it, calling it totally different from the western concept of interest. Therefore, it was concluded by them that the prohibition of Riba in the Holy Quran and sunnah was restricted to usury only, while commercial interest was considered perfectly Islamic.

There are two schools of thought on this issue. A detailed analysis of their arguments is discussed as under:
1. **First School**
   
   This school presents two arguments to support their point that only usury (not commercial interest) is prohibited in Islam:

   **Argument 1**
   
   "Riba as practiced during the days of the Prophet ﷺ was only Usury."

   **Counter argument**
   
   This claim is totally groundless, since Islam when prohibiting something does not only prohibit one form of it that is prevalent, but even all forms that might erupt in future. The changed state does not change the ruling e.g. Quran has prohibited the following:

   a) **Liquor (Khamar):** During the time of Prophet ﷺ, its form and the way of production was totally different from that of the present day liquor, but the ruling remains unchanged even though the form has changed.

   b) **Pork (Khinzeer):** Irrespective of how clean the present day breeding of pigs in high class farms may be, pork will stay prohibited and cannot be rendered halal (legal) in Islam.

   c) **Corruption/Immorality (Al Fahsha):** Although a lot of sophisticated ways have been developed of this evil from the time of Quranic revelations prohibiting it however, the ruling stands forever.

   The same applies to interest and gambling as well. By claiming that it was in a different form during Prophet's ﷺ time does not change its ruling. The ruling remains unchanged just as in the case of Khamar, Khinzeer and Al Fahsha.
Argument 2

"Commercial interest did not exist in the days of Prophet محمد ﷺ."

Counter argument

This claim is also incorrect. If one glances through the Islamic and pre Islamic history of Arabia, it is evident that the type of interest at that time was not restricted to usury only, but in fact loans were granted for commercial and profitable purposes as well. To quote some examples:

"The tribe of Umro bin Aamir used to take interest from the tribe of Mughairah. At the advent of Islam, Mughairah owed heavy interest to Umro bin Aamir."

In this narration, the transaction of interest between 2 tribes of Arabia have been pointed out who actually operated as trading companies; both tribes were very wealthy. Could it be that two wealthy tribes transacted interest just for personal need and expenses? The interest was simply commercial!

a) The history of the city of Ta'if tells us that it a) History of the city of Ta'if tells us that it was only second to Makkah in trade (their main exports being liquor, raisins, currants, wheat, wood etc) and industry (major being leather and dyeing). The tribe of 'Saqeef' (Jewish tribe) advanced cash on interest, not only to the natives of Ta'if, but to the business community of Makkah as well e.g. the tribe of Mughairah were their permanent customer. This advancement, which was not only restricted to cash but also to commodities between the wealthy tribes of Taif and Makkah who were usually traders
and businessmen. This was only for their commercial purposes and not for their consumption and personal needs. One of the ways of receiving interest was to double the principle amount plus interest in case of non-payment of loan and this practice was applied to both cash as well as commodities. They had become accustomed to it.

At the time of signing the peace treaty with the people of Ta’if, the Prophet ﷺ imposed these two conditions:

- i) Total elimination of interest-based transactions.
- ii) Giving up of interest owed to and from them.

b) The practice of making two trade trips, one to Yemen in the winters and the other to Syria in the summer was started by the tribe of Quraish of Makkah. These trips proved to be very profitable especially since being custodians of Kaa’ba, Quraish were looked at with respect, granted special concessions and protected in transit which was a necessity at that time. This way business & trade became their only means of livelihood. Investment became the order of the day in which women also took part and its circulation flourished and multiplied.

With this background in mind, one can easily visualize that the city of Makkah more or less became the clearing house or the banking city and accustomed to their related amenities. It was only natural that interest (riba) was one of them. Since they advanced cash for commercial purposes and charged compound interest in case of default by the traders, and this earning of interest was their trade, they argued when Qura'an rendered interest haram (illegal) that the transaction of interest-based loans is a type of trade in which the return on capital can be earned as in the case of rent received from
assets. They could not differentiate between excess in shape of profit during a trade and excess in the shape of interest at the time of repayment of loan.

c) Therefore in pre Islamic days, we see that Syyidna Abbas Ibn Abdul Muttalib ﷺ and Syyidnna Khalid Ibn Waleed ﷺ formed a company with joint capital whose prime business was cash advancement on interest. Similarly, Syyidnna Usman ﷺ was one of the wealthy businessmen who lent money on interest.

There were many other traders dealing full time in interest and extending a network of interest based transactions.

d) The way Syyidnna Zubair Ibn Awwaam ﷺ, who was famous for his trustworthiness, operated was quite similar to that of the modern banking system. People used to deposit with him their capital as Amanah (trust or security). However, Syyidnna Zubair ﷺ used to make it clear to the depositors that he would accept the deposits as a 'loan' and not as 'security' (Amanah). Because he knew that he would not be fully liable according to Shariah in case these Amanaat got destroyed but in case of having them as a loan, he will be fully liable to pay them back. He was afraid that in case of losing any deposited amount, his image as the trustworthy caretaker would be damaged. He therefore used the term 'loan' for such deposits to ensure guaranteed payment so that he enjoys everyone's confidence in him. Another reason for using the word 'loan' was to legalize trading and earning profits on such deposits. Because if he got those deposits as Amanah, he could not utilize them for his business, as it is not permissible in Shariah to use Amanah.
This clearly shows that borrowing in those days was not only for consumption purposes but for commercial purposes as well. Syyidnna Zubair left a will with his son Syyidnna Abdullah Ibn Zubair before he died, to sell his property to repay the loan, if required. The total amount calculated after his death for repayment by his son was 22 lacs. It is obvious that a rich Sahabi such as Syyidnna Zubair did not owe this loan of 22 lacs out of any need; rather it was an investment of securities that was circulating in trade.

**Another Clear Argument**

Syedna Abu Hurairah narrated that the Prophet said,

"من لم ينوي المخابرة فليأتني بحرب من الله رسوله"

[In Sahih al-Bukhari, Hadith 311, Volume 2, Hadith Number 6005]

"He who does not abandon Mokhabara, will be caught in a war against Allah and His Prophet Muhammad."

In this narration, Prophet has rendered Mokhabara illegal just like riba and has declared a war against those who indulge in it just like riba.

**What is Mokhabara**

Mokhabara is a division of crop by agreement between the landlord and cultivator in which the landlord gives his land to the cultivator for cultivation purposes in order to get his pre-agreed amounts of the crop irrespective whether the production is low or high. For e.g “A” lends his land to “B” for cultivation on the condition that he will get a predetermined portion on each crop e.g. 5 mounds. Such a transaction is called Mokhabara.

The Prophet Muhammad had called Mokhabara a form of riba. Now one should think over whether he referred to usury
as the form of riba or he referred to commercial interest. It is similar to commercial interest as both Mokhabara and commercial interest are used for productive businesses. Whereas in the case of usury, the borrower uses the loan for personal use and not productive purposes.

To sum up, Prophet included Mokhabara in riba that has no similarity with usury, rather with commercial interest. The fact that during Prophet’s time, the dealing in commercial interest was common is proven and also that this form is totally prohibited in Islam.

2. Second School
This group presents two arguments justifying their point of view that are mentioned below:

Argument
This argument is based on the Quranic verse

\[\text{"O you who believe, do not devour each other's property by false means, unless it is trade conducted with your mutual consent. Do not kill one another. Indeed, Allah has been Very-Merciful to you." [29]}\]

In the above verse, Quran has prohibited "Wrongful devouring" which will only arise if the consent of one of the parties is absent and naturally the party who is devouring consents, the other party never consents; he only gives in since he has no other option. So we come to the conclusion that if the consent and satisfaction of both parties is present in a deal, it cannot be called "Wrongful devouring" as per this verse. According to this logic,
commercial interest is permissible since the mutual consent of both parties is present.

**Counter argument:**
This argument is of superficial nature. Mutual consent is not the criteria to evaluate a situation in Islam. Would the act of adultery be allowed if the condition of mutual consent is fulfilled? Similarly, mutual consent is present in commercial interest and gambling too but in spite of that, it has been prohibited. Therefore, no such criteria exists in the legality of any transaction that both parties approve; rather the approval should be on the transaction, which has not been prohibited by Shariah.

Therefore, the transactions should not be judged through the mutual consent of the parties. The criterion should rather be the underlying nature of the transaction. Since, lending of money with the stipulation of excess amount in return is explicitly prohibited; therefore mere mutual consent of the parties will not affect the intrinsic impermissible nature.

**Simple and Compound Interest**
Interest can be classified into two types:

- Simple Interest (Sood-e-Mufrad)
- Compound Interest (Sood-e-Murakkab)

**Definition of Simple Interest**
Simple interest is the interest paid on the original principal only. For instance, for a loan of Rs 10,000, interest will only be calculated on Rs 10,000. If Interest rate is 10% per annum then at the end of the year, interest will be Rs 1,000 and in the next year, interest will be calculated only on Rs 10,000 which was the initial principal of loan.
Definition of Compound Interest

Compound interest arises when interest is added to the principal, so that, from that moment on, the interest that has been added also earns interest. This addition of interest to the principal is called “compounding.” For instance, for a loan of Rs 10,000, if interest rate is 10% per annum then at the end of the year, the interest will be Rs 1,000 and in the next year, interest will be calculated on Rs 11,000 which is the initial principal of loan plus the interest accrued over the final principal of loan.

During the pre-Islamic era, when a borrower failed to pay back the principal and interest charged on him, then the lender used to extend the loan on the condition that the interest will also become part of the loan (essentially Compound Interest). The following verses of Quran were revealed in order to stop the people from such practices:

أَيُّهَا الْيَهُودُ أَتَأْكَلُوا الْرِّبَا أَزْهَقْتُوهُ أَسْتَغْلَفْتُوهُ أَضْغَفْتُوهُ أَنْفُسُهُمْ فَلَيْسَ فِي الْأَحْيَانِ (سُورَةَ الْعَمَّارِانِ)

"O you believe, do not eat up the amounts acquired through Riba (interest), doubled and multiplied. Fear Allah, so that you may be successful." [130]

To eradicate this abominable practice of the period of ignorance, this verse was revealed. By mentioning the practice of taking interest in a doubled and multiplied manner, it was condemned and declared unlawful in view of its adverse impact on the community and the selfishness that it bred. It does not mean that if there is interest without it being doubled and multiplied (i.e. if there is simple interest, in today's jargon), then it is lawful. In Surah Al Baqarah (The Cow) and Surah An Nisa (The Women), the prohibition of interest in its entirety and in absolute terms is clearly mentioned, no matter interest is doubled and multiplied or not.
Since the aforementioned verse prohibits the compound interest only, some people misinterpret it even today that compound interest alone is forbidden in Islam, not the simple interest. They fail to see that there is absolute prohibition of simple interest in a number of other Quranic verses. The reason that the above verse specifically uses the words "doubled and multiplied interest" is to highlight the shameful aspect of compound interest and not to limit the scope of riba only to compound interest. This is similar to Allah's command "Do not bargain on My orders for paltry gains in this world."

The reason for mentioning paltry gains is that even if all conceivable material goods and luxuries of this world are obtained in exchange for ignoring Allah's commands, even then this is a paltry gain. It does not obviously mean that it is prohibited to obtain paltry gains but permissible to obtain (by one's standard or judgment) a hefty price. Similarly, in the Ayat under consideration, the mention of doubling and redoubling is to condemn the shameful practice rather than limit its permissibility.

Revelations on Simple and Compound Interest

Verses on absolute prohibition of Simple and Compound Interest:

"O you who believe, fear Allah and give up what still remains of riba, if you are believers. [278] But if you do not (give it up), then listen to the declaration of war from Allah and His Messenger. However, if you repent, yours is your principal. Neither wrong, nor be wronged." [279]
and directs that only the principal amount should be paid back, nothing in excess. The second verse explains that any excess on principal, no matter how insignificant, is cruel.

The following hadith also proves that both simple and compound interest are forbidden:

"الآن كل ربا كان في الجاهلية موضوع عنكم كله. لكم بروء آموالكم لاتظلمون ولاظلمون رأول ربا موضوع ربا العباس بنعبد المطلب موضوع كله."

[تفسير ابن إني حاتم قوله تعالى: فلكم بروء آموالكم 2 ص 195 حديث 321] 442

"Listen! all Riba liable to you in the pre-Islamic days have been completely eliminated. You have to pay back the principal amount only. Neither hurt someone nor get hurt by someone. And the first riba to be completely eliminated is of Abbas bin Mutalib ."

The above evidence proves that the claim that 'only compound interest is prohibited and any riba less than that is allowed in Islam' is wrong. Any amount in excess of the principal fixed in the contract of a loan is called Riba An Nasiyah.