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## Islamic Retail Banking in the UK

The Islamic Bank of Britain was established in 2004 and is the first wholly Sharia compliant retail bank. Its Head office is in Birmingham and it has 58000 customers saving 643 million euro and 30 products. Its values are: Sharia compliant, secure and community oriented.

The market in the UK is growing (from 3% to 5% in 10 years) and customers are young, with children and employed. There is a wide range of products including retail, business banking, and a growing area for GCC customers and the IBB operates with a multi channel approach including six branches and agencies, telephone and online banking and a multi-lingual call centre.

In 2013, the Islamic bank of Britain began a programme to drive online sales. This programme included: a new brand, fully mobile responsive, website, social engagement on Facebook and Twitter, a youtube channel, 40 videos on website that answer the most basic questions.

The Islamic bank of Britain is changing its name in Al Rayan Bank and the changes will include also an evolution of five brand values: Sharia compliant, Pioneering, Dedicated, Aspirational and Dependable, but the tag line will be the same: “*Banking you can believe in*”.

Islamic banks offer a different way of doing banking: are based on ethical values, Islamic bank initiatives are based on real assets, Islamic banks work without interest that is forbidden by Sharia, without excessive uncertainty and relationships are based on trust and respects. Some area of investments are prohibited: for example alcohol, arms, gambling.

The key demographic facts are the presence of 1.53 million UK adult Muslims and 763.7K UK Muslim households coming from Pakistan (42.1%), Bangladesh (10.5%), Turkey (8.3%), Lebanon (7.9%) and Morocco (3.2%). 62% of all UK adult Muslims are concentrated in 20 postal areas running from London, through the Midlands, to the North and in term of property there are more renting and council housing and more terraces housing and flats.

The Top 5 Savings Products for Muslims are:

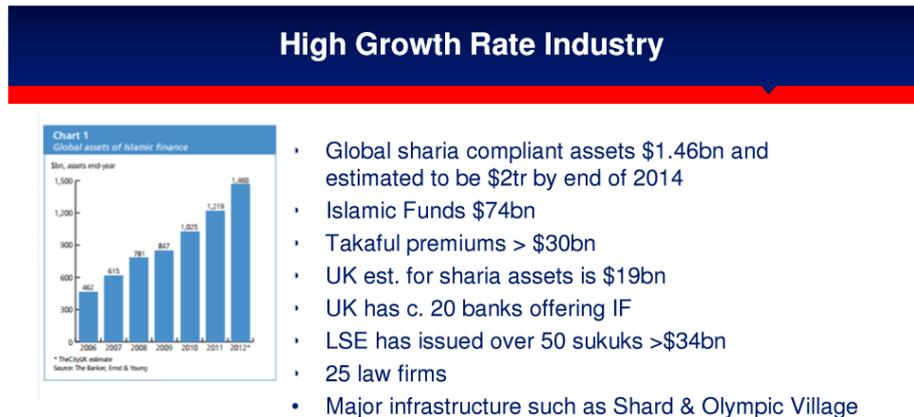
- 1) Child’s savings account
- 2) Regular savings account
- 3) Property investment
- 4) Cash ISA
- 5) Instant access savings account

In the UK there are 49 million adults and limited levels of non-Muslim interest. Muslims typically use face to face sales and direct marketing, while non-Muslims use Public Relations and Pay Per Click advertising.

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Looking at the drivers of contemporary Islamic Banking there is an high growth rate industry.



Whilst a nascent industry, still represents only 1% of global assets but is plenty of potential as Muslims are 23% of global population.

Factors Driving Islamic Banking are:

- Commitment from Retail customers;
- Resurgence of Muslim Cultural values;
- Strong growth of OIC (Organisation of Islamic Conference) countries;
- The industry is becoming more standardised and convergent.

UK factors are: a potential for large capital inflows into City of London, presence of English commercial law is used commonly used for large contracts, the importance of combating financial exclusion in order to allow more access to financial services to UK's 2-3 million Muslims and in terms or regulation create a regulatory framework that recognises Islamic nature of products and affording users of those products the same consumer protection.

The big obstacle in Western economic systems is the taxation regime cause in In Islamic finance the buying and selling of real assets usually creates a taxation impact and it is necessary to create a "level playing field" so that the Islamic finance transaction is treated as a finance transaction.

On the legal and regulatory framework side the regulator approach is not an obstacle: UK is one of the easiest jurisdictions in the World for Islamic Finance and regulatory guidance is specific for Islamic products.

Even if many challenges remain, there are many success factors:

- Treat the Islamic Finance as an opportunity, not a threat;
- Develop innovative products that are regulatory and Sharia compliant, market competitive and commercially viable;
- Target the wider market;
- Position products as an ethical alternative,
- Invest in Research, Development, Training and ongoing Assurance.