

Exploring demand for Sharia compliant pension funds

Report prepared by Ipsos MORI for
NEST Corporation

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A report of research carried out by Ipsos MORI

July 2010

Foreword

PADA commissioned the research but its authority passed to NEST Corporation as the report was being prepared for publication.

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The content of this report remains the responsibility of the authors.

Abbreviations and terms

Throughout the report, terminology specific to the subject is used. For an explanation of some of these lesser known terms, please refer to the list below.

Amanah	The Arabic term for 'free will' - and is also the global Islamic financial services division of HSBC Group.
Allah	The Arabic word for 'God'.
Automatic enrolment	From 2012, the law will start to require employers of all sizes (over a staged introduction period lasting until 2016) to automatically enrol workers into their qualifying company pension scheme without any active decision on the part of the worker. Each qualifying scheme must meet minimum standards in respect of the benefits it provides or the amount of contributions paid to it. At present, many workers fail to take up valuable pension benefits because they do not make an application to join their employer's scheme. Automatic enrolment is meant to overcome this.
Fatwa	A religious decree provided by a qualified and respected Sharia Scholar.
Hadith	Narrations originating from the words and deeds of the Muslim Prophet Mohammed . It is a source of Islamic law next to the Qu'ran
Halal	An Arabic term meaning a 'lawful' 'permissible' or 'legal' act which is permitted by the Sharia.
Haram	An Arabic term meaning an act which is 'forbidden' or unlawful which is prohibited by the Sharia.
IBB	The Islamic Bank of Britain Plc.
NEST (National Employment Savings Trust)	The new name for what was previously referred to as Personal Accounts – a new pension scheme targeted at low and moderate income workers to be launched in 2011/2012. The impetus for the scheme is that the over 65s will have doubled in number by 2055, and based on current projections around seven million of them aren't saving enough to have a pension that meets their demands.
Qur'an or Koran	The central religious verbal text of Islam which is the primary source for Islamic law.
PADA	Following a 2005 report by the Pensions Commission, the UK government set up the Personal Accounts Delivery Authority (PADA) to oversee the introduction of Personal

Accounts – now called NEST (see above). Whilst PADA is responsible for designing and introducing the infrastructure for NEST, the running of the pension will be handed over to and run by a new trustee corporation called NEST Corporation. A board with independent trustees is expected to be set up to oversee NEST Corporation once the pension is introduced. The regulator is likely to be the Pensions Regulator or the Financial Services Authority. PADA is the organisation which commissioned this research.

Salaam Insurance	An Islamic insurance provider, which is no longer open for new business
Sharia	An Arabic term meaning Islamic law derived from the Qur'an and the Sunnah.
Shia	The second largest denomination of Islam.
Sunni	The largest branch of Islam, also referred to as orthodox Islam.
Sunnah	The actions, deeds, affirmation and characteristics of the Muslim Prophet Mohammed.
Takaful	An Islamic insurance concept which observes the rules and regulations of Islamic law.
Target audience	NEST aims to encourage low to middle income workers to save for their retirement, as people in this income bracket are currently less likely to make personal pension provision than those on higher incomes.
Zakat	An Arabic term meaning 'Alms giving' – the obligatory giving of a proportion of one's wealth to charity or the needy.

Executive summary

PADA commissioned Ipsos MORI to conduct a programme of qualitative research to understand more about what demand exists among the Muslim community in the UK for Sharia compliant financial products¹. 28 in-depth interviews and nine paired interviews were conducted with members of PADA's target audience². Six interviews with community or faith leaders and two discussion groups with people on higher incomes and with some experience of Sharia financial products³ were also carried out. Fieldwork was conducted during May and June 2010. Sampling for this research, as with all qualitative research, was purposive, i.e. sections of the communities of interest were specifically targeted in recruitment to illustrate the range of relevant viewpoints. This report does not claim to represent the views of anyone other than those taking part in the study.

Retirement and pensions

Retirement was not at the forefront of most participants' minds; many were living month by month in terms of their spending, and had not given much thought to putting money aside for their future, or even the age at which they might stop work.

Investment in children's education was regarded as highly important, as there was an expectation across all age groups that children would, if needed, support their parents during retirement. Investment in property emerged as the preferred and traditional way to provide income in the future, and was seen as a concrete, material investment that could be passed down the generations.

Pensions, by contrast, were rarely considered or discussed, and knowledge of how they operate was low. Few people were aware that pension contributions are invested, or that they could receive possible employer contributions. Most said they would opt out were they automatically enrolled⁴ in a pension scheme, primarily because their current financial circumstances would make contributions unaffordable.

In terms of where funds were invested, only a few people spontaneously raised this as a concern, although more said this would worry them once prompted. Among those who did not mind, participants' reasoning was that their business was with the pension provider alone, and that what the provider then chose to do with their contributions was not their concern.

Religion and everyday life

The ways in which participants applied the laws of Islam to their lives varied widely and the extent to which this happened tended to be a pragmatic decision. All were in agreement that as Muslims, their focus was on being a 'good' person, and most were

¹ Sharia compliant finance refers to funds that are run in accordance with Islamic laws and economic models. It has been developed over time, based on the rulings of Sharia on commercial and financial transactions. Specifically, Sharia compliance prohibits the payment or acceptance of interest fees for the lending and accepting of money, and investing in businesses that provide goods or services considered forbidden by Islam.

² NEST is aimed at those aged 22 to State Pension age, who are working and earning roughly between £5K and £35K a year, and who do not currently have any personal provision. PADA refers to such people as its 'target audience'.

³ A 'higher earner' was defined as someone earning £40K/year or more in Manchester and £50K/year or more in London.

⁴ From 2012, employers of all sizes will have to automatically enrol workers into their qualifying company pension scheme without any active decision on the part of the worker.

able to give a basic description of the primary principles of Sharia; not eating pork, regular prayer, and avoiding alcohol and drugs were commonly mentioned. Very few spontaneously raised any implications of Sharia for personal finance.

Understanding demand

When asked specifically, participants' understanding of how Sharia may apply to finances focused mainly on not paying or receiving interest. Few mentioned concerns about how funds were invested, largely because they were unaware that institutions used their funds in this way.

There was very little take-up of formal Sharia financial products among participants, and despite some interest, few were actively seeking out such products. This was primarily due to the strong perception that they were more expensive than mainstream financial products. Some felt they were unnecessary, as it was possible to tailor standard products such as bank accounts so that they did not incur interest, or donate the interest to charity.

With regard to automatic enrolment, some people felt they would opt out if informed at the outset that their money was being invested in industries forbidden under Sharia – or would feel they ought to opt for a Sharia alternative if they knew it was available⁵. However some would remain in the scheme regardless, to take advantage of having a pension set up with little effort from themselves, so as not to lose out on employer contributions and/or because they did not see a need for a specifically Sharia fund. Few participants said that they would proactively engage with the scheme to see how their contributions would be invested and whether this would be aligned with Sharia principles.

Prioritising different features of a pension fund

In terms of cost and performance, most participants claimed they would remain enrolled in a Sharia compliant pension as long as the cost and performance were broadly in line with similar mainstream funds; the majority of these did accept that a Sharia product would be likely to cost a little more, but would be unwilling to pay a great deal more⁶. For a small number though, the return on their investment would be the priority and they would rather have a better performing mainstream fund or one with a lower management charge than a Sharia compliant one.

Top of mind concerns about how pension contributions might be invested were to avoid industries deemed 'immoral', wider ethical concerns and financial security and performance. However, when presented with a list of potential features for investment there was little consensus on which would be most important, and not everybody was able to identify which features were specifically Sharia compliant and which were simply ethical or good practice.

⁵ The initial reaction to automatic enrolment was explored in more detail subsequently, when participants were asked to prioritise a potentially higher management charge and/or lower performing Sharia fund against a standard pension fund with lower charges or higher performance. This is discussed in the following section.

⁶ It was difficult to gauge how much more they would be willing to pay as the amounts involved in actual figures or percentages had little meaning for participants. The main strand of thought was that such participants would be willing to pay a little bit more but not a lot more than the cost of a standard pension.

1. Introduction and background

PADA commissioned Ipsos MORI to conduct a programme of qualitative research to understand more about what demand exists among the Muslim community in the UK for Sharia compliant financial products and what features of such accounts might be attractive. Current pension fund offerings in this area are limited and usage tends to be concentrated among higher earners. However, in the context of automatic enrolment, PADA wishes to understand the needs and desires of all groups, including minorities, who might have different requirements of the NEST scheme than the dominant majority.

Sharia compliance

Sharia compliant finance refers to funds that are run in accordance with Islamic laws and economic models. It has been developed over time, based on the rulings of Sharia on commercial and financial transactions. Some of the basic points to ensure that a transaction is Sharia compliant are: that there is no interest paid or received; that the asset being financed is not prohibited by the Sharia and that there is an element of risk involved for all parties.

Demand for Sharia compliant financial products

Sharia compliant financial products are not new in the UK, and despite a slow start in the 1980s and 1990s, the last ten years has seen fast growth in the retail market specific to this sector. However, in 2007, the Financial Services Authority (FSA) said that despite recent strong growth the overall size of this market may have been overestimated⁷. For instance, they point to the fact that the size of the Islamic mortgage market in the UK is estimated at £500m compared to the overall stock of mortgage lending in the UK at over £1.1 trillion. According to the FSA, the modest growth of retail Sharia compliant finance in recent years may be attributed to two main factors. Firstly, financial decisions made by individuals in the Muslim community are influenced by a variety of factors. Secondly, the relatively wide affluence gap within the community may impact on the market share for Islamic finance.

Another attempt to quantify demand for Islamic financial services in the UK in 2004⁸ finds that while there is no huge demand for retail Islamic finance, the market is still growing and has further potential to grow if appropriate marketing measures are adopted. This paper suggests that the factors influencing demand could include income, educational attainment and occupation in different parts of the UK.

The 2012 pension reforms, PADA and NEST

From 2012, automatic enrolment into a workplace pension scheme will start to come into force. People will be eligible for automatic enrolment if they meet the following criteria:

⁷ Ainley, M, Mashayekhi, A and others. Islamic Finance in the UK: Regulation and Challenges, 2007.

<http://ara.assaif.org/content/download/279/3459/file/Islamic%20Finance%20in%20the%20UK.pdf>

⁸ Dar, Humayun A. Demand for Islamic Financial Services in the UK: chasing a mirage?, 2004. <http://hdl.handle.net/2134/335>

- aged 22 to state pension age
- working full or part time⁹ and
- earning at least £5,035 per year (in 2006/07 terms) from a single job.

The target of this reform is those that

- meet all of the above eligibility criteria; and
- are not members of a qualifying employer-sponsored pension scheme i.e. a scheme that meets the requirements of the Pensions Act 2008

However, the definition of the target market for NEST is further refined as those who

- meet all of the above target population criteria; and
- do not earn more than £35,000 (in 2006/7 terms).

The Pensions Act 2008 requires that there is a minimum contribution into the pension of 8 per cent of a band of earnings between £5k and £33.5k on “pensionable pay” defined in the Bill as including basic pay, bonuses, commission and overtime, though other pay components may still be introduced. Of the minimum contribution, at least 3 per cent of the band of earnings must come from the employer. The employer may make it a condition of membership of the scheme that the worker makes a contribution. The maximum contribution that can be required of a worker, as a condition of membership is 4 per cent of the band of earnings, with 1 per cent payable by the Government as tax relief. This is unless the worker is already a member of a qualifying pension scheme paying at least the minimum contribution.

This means that from 2012 the choice facing any employer of UK eligible workers who are not already members of a qualifying scheme will be which scheme to use to fulfil their new duties. Workers, however, face a different choice. They do not choose which scheme to automatically enrol into – this is decided for them by their employer. Workers will have a window in which they can opt out. After which point, opt-out is not possible but they may cease to make contributions. If workers cease to contribute, the employer has no obligation to make contributions.

Currently, many commercial providers do not find it economic to provide pension services to all employers. Small employers, employers with low earning workers, and employers with high staff turnover may have difficulty accessing a commercial provider at competitive charge levels.

Therefore to ensure that all employers do have access to a high quality workplace pension scheme, the Government is establishing through PADA a new national trust based (defined contribution) occupational pension scheme, known as NEST.

⁹ These individuals (except for self employed people and single person directorship) can only become members of the scheme if their employers have chosen to use the scheme to meet their employer duties.

Target audience

Given the target audience for NEST and the fact that Sharia compliance is a concern among the Muslim community, there is a focused audience for this research: Muslims who are aged 22 years to State Pension age, employed by a UK-based employer and earn £5-35K a year – and who are not members of a good quality pension¹⁰ scheme.

It is believed that around 12 per cent of the estimated 9,000,000 people who fall into PADA's target audience are from an ethnic minority, but it is not clear how many of these are Muslim. Similarly, there are thought to be proportionately more women in the overall target group, as more women than men do not have qualifying pension schemes. It is also unknown how this is reflected among the Muslim population, where female employment may not be as high as among the wider population.

Existing research

Although the area of pensions and retirement savings among Muslims specifically is relatively unexplored, other research among minority ethnic groups, including some Muslim audiences, has indicated that people from minority ethnic backgrounds are less likely to be saving into employer and personal pensions,¹¹ and differing labour market patterns can only explain some of this difference¹².

Previous research has identified that among some minority ethnic groups where the Muslim faith is prevalent there is a greater emphasis on intergenerational support within the extended family, i.e. those in retirement rely on younger generations for financial and other support¹³. However, this is in contrast to other studies which suggests that the degree of obligation on younger generations to support the older ones may be starting to recede somewhat¹⁴.

However this does not necessarily translate into support for saving into a personal pension, with barriers such as inability to afford to save, lack of trust in formal pension schemes and a preference for other means of saving for retirement being cited by ethnic minority and white audiences alike. Additional barriers cited by those from ethnic minority backgrounds include lack of familiarity with financial institutions and systems in the UK, some provision of support for older generations, the likelihood of returning to live in their country of origin at retirement and lack of clarity about the degree of pension access abroad.

Previous research also indicates support for the idea of NEST, particularly in view of the mandatory employer contributions and tax relief factor¹⁵. However, there was also some cynicism based on a lack of trust of pension schemes and how the

¹⁰ i.e. one which meets the requirements of the Pensions Act 2008.

¹¹ Pensions Commission (2004), Pensions: Challenges and Choices: The First Report of the Pensions Commission, London: HMSO.

¹² S Arber and J Ginn (2001), 'Pension prospects of minority ethnic groups; Inequalities by gender and ethnicity' British Journal of Sociology, 52 (3): 519-539.S.

¹³ S Nesbitt and D Neary, (2001), 'Ethnic minorities and their pensions decisions: A study of Pakistani, Bangladeshi and White men in Oldham, York: Joseph Rowntree Foundation.'

¹⁴ Barnes, H. and Taylor, R. (2006), Work, Saving and Retirement amongst Ethnic Minorities, DWP Research Report No. 396.

<http://research.dwp.gov.uk/asd/asd5/rports2005-2006/rrep396.pdf>

¹⁵ DWP/Ipsos MORI – Public attitudes to personal accounts (2006) <http://research.dwp.gov.uk/asd/asd5/rports2005-2006/rrep370.pdf>

scheme might be altered by future administrations, as well as lack of clarity around access from abroad.

Study objectives

The aim of this study was to understand individuals' and households' demands for a Sharia compliant pension fund. To this end, we explored both the perceived need for a pension fund, and perceptions of Sharia compliance and Sharia financial products.

The objectives of this research were to explore:

- the extent to which religion impacts on everyday life for Muslims
- how Islamic faith is reflected and taken into account in everyday decision making
- whether the extent to which faith impacts everyday life differs across the Muslim population
- attitudes towards retirement savings and pensions amongst UK Muslims
- any differences in attitudes towards retirement planning and pension investments across black and minority ethnic groups generally compared with the mainstream population
- expectations of retirement; what factors influence this and whether UK Muslims expect to spend their retirement in a country other than the UK (and perceptions of the implications of this for pensions)
- attitudes towards retirement planning and pensions
- how decisions about financial matters are taken and whether this would apply to decision making about pensions
- whether such decisions would be taken in discussion with others, and if so, who, or alone
- what community leaders/Imams/Sheikhs are saying to their communities about Sharia compliant finance, retirement savings and pensions
- how Sharia compliance is viewed
- top of mind understanding of Sharia compliant finance amongst Muslims in the target market
- the extent to which Muslims view Sharia compliant finance in absolute terms and how this might apply to pensions, for example, in terms of return and cost
- to what extent Muslims in the target market seek out Sharia compliant finance
- what questions Muslims in the target market would ask (and of who) and what, if any, action would they take when automatically enrolled in a pension scheme

- reasons why Muslims in the target market might not seek out Sharia compliant finance
- what features of a Sharia compliant fund are most important
- whether it is enough to for the fund to be 'approved' by a trusted body
- whether it will be sufficient to know if the fund is overseen by a Board of elders
- whether an 'off-the-peg' fund or a bespoke fund would be appropriate – and what features should be included.

Interpretation of the data

While qualitative research was most appropriate methodological approach for this study, it is important to bear in mind that it utilises smaller samples that are chosen purposively, with the aim of ensuring representation of a full range of views within the sample. Qualitative research is designed to be illustrative and does not look to produce statistics; this needs to be taken into account when interpreting the research findings. In addition, it is important to bear in mind that the research deals with perceptions rather than facts (though perceptions *are* facts to those that hold them).

Throughout the report we have made use of verbatim comments to exemplify a particular viewpoint. It is important to be aware that these views do not necessarily represent the views of all participants or indeed any wider group. Where verbatim comments have been used, the participants' attributes are given in the following order: gender, age, income and location.

2. Methodology

Summary of approach, recruitment and fieldwork

All fieldwork for the study was conducted face-to-face, and comprised 28 in-depth interviews and nine paired interviews with members of the target audience¹⁶ (at least one of the pair belonged to PADA's target audience and is included as such in our quotas). As we wished to research the Muslim portion of PADA's target audience, we had to ensure that all participants fulfilled these specific criteria, as well as identifying themselves as Muslim. Additionally, in order to capture a range of attitudes and cultural practices within the Muslim community, we interviewed people within this target audience from a range of backgrounds in terms of gender, age, ethnicity and ethnicity-related issues, employment hours, salary and employer size, and (self-defined) knowledge of Sharia. We also spoke to participants working in different industries and at different life stages i.e. some single and living independently or with parents, some married with young children, married with older children. Interviews were conducted across the country to ensure a good regional spread.

We also conducted six interviews with Muslim community or faith leaders, and two discussion groups with higher earners who had some experience of Sharia financial products¹⁷.

A pilot stage was conducted to test the discussion guide and stimulus materials, with some minor amendments made before the main stage interviews began. Participants were recruited using free find methods although an element of snowballing was involved at the end to fulfil all the quotas desired. Interviews were mostly conducted in-home although some were held in cafes and community centres at the participant's request.

Further information on the approach, recruitment and fieldwork can be found in appendix 1.

¹⁶ NEST is aimed at those aged 22 to State Pension age, who are working and earning roughly between £5K and £35K a year, and who do not currently have any personal provision. PADA refers to such people as its 'target audience'.

¹⁷ A 'higher earner' was defined as someone earning £40K/year or more in Manchester and £50K/year or more in London.

3. Attitudes towards retirement savings and pensions

Introduction

This chapter explores attitudes towards retirement, looking at what Muslim people want from their retirement and how saving for the future sits on their list of priorities. It also explores the different media through which they expect to fund their retirement. This leads into an examination of views on and knowledge of pensions, including thoughts on automatic enrolment¹⁸ and on whether participants believe they would personally opt out. In this chapter, reference is made to the fictional character 'Mehmet' who was introduced early in the interview to help participants think about what was important to them in terms of how an occupational pension works in an automatic enrolment context.

Thoughts on retirement and pensions are at times closely tied in with the traditions of Islam and wider cultural norms for some ethnic minority communities. This is explored in detail in Chapter 4, which looks at views and understanding of the Muslim faith and Sharia compliance in more depth.

Chapter summary

- For many participants, the concept of retirement was not something they had really considered; they did not have a concrete idea of the age at which they would stop working, and what they would do at this point in their lives.
- As a result, planning for retirement did not emerge as a priority, and very few had given this detailed thought; many had financial constraints and felt they had to focus on living day to day rather than saving for the future.
- There was an expectation across all age groups that children would take responsibility for supporting their parents financially during retirement. To this end, people explained the importance of investing in children's education, to ensure that they have the means to support their parents in future.
- Property investment emerged as the preferred way to provide income in retirement. This is a traditional means of investment in Muslim communities and was regarded positively as a visual, material investment that can be passed down the generations.
- Pensions, by contrast, were rarely considered or discussed and knowledge of how they operated was low. They were generally regarded quite simply as a 'savings pot' and few people were aware of/knew much about details, such as possible employer contributions, investment of funds and the potential risks involved.

¹⁸ The research did not explicitly seek to explore attitudes to automatic enrolment in any depth. Limited information was given on this to ensure that participants were giving their views in the context of a scheme they would be automatically enrolled into, rather than one they had optionally chosen for themselves. Please note too that the reforms require that people who meet the criteria of the Pensions Act 2008 are enrolled into a qualifying pension scheme. This might not necessarily be NEST.

- invested, often due to a lack of awareness of how pension providers operate; though when prompted, more people claimed this would worry them. Those who did not mind felt that their business stopped with the pension provider, and so were not concerned with how their contributions were subsequently used.

Attitudes towards retirement planning

Planning for retirement did not emerge as a priority amongst participants, and this seemed to be the case regardless of age. Many explained that retirement generally, let alone how to fund it, was not something they had considered a great deal, because there were other, more important things to think about.

Many people said that their current financial circumstances were not particularly good and living day to day and meeting basic expenses was their priority rather than anything longer term. Considerations such as mortgage or rent, utility bills and food shopping had to come first; there was also a need to cover larger one-off purchases, such as car insurance or TV license, although these larger items were not always entirely budgeted for. Those on lower incomes in particular explained that this left little excess each month for saving.

"I make enough to survive on ... It's difficult stretching that sort of money you know, but I try my best to do enough work during the month so that I am able to improvise when my insurance is due or my MOT is due on the car and make sure that I do a little bit more work to be able to afford that - so it is literally just about getting me by."

Female, under 30, £5-10.5K, London

"I think about money constantly. Because I have a single income coming in, I constantly think about it and I keep track of my finances, if not every day, at least every other day via internet banking. And I try to have a set amount that I spend per week but I make sure I have got all the direct debits set up for absolutely everything, I do not pay anything stand alone, and I am very, very conscious of how much I spend."

Female, 30-44, £25-35K, Leeds

Community and faith leaders agreed that from their perspective, planning for retirement is not common within the Muslim community – their perceptions, therefore, are in line with the ‘take care of today’ attitude expressed by most of the participants.

"They [Muslims] don't believe in, you know, like after 20 years or 30 years what's going to happen to you, they don't believe in that, they pretty much believe in that if you're OK today, you're OK today you know? You don't really need to think about tomorrow kind of thing."

Community Leader, London

Some of the younger participants, particularly those who still lived at home and had some parental support, were more relaxed about their finances, claiming that they were able to spend some money on shopping or socialising with friends. However, once again, their focus was mainly on the present; they tended to spend what they earned with little thought to saving for the medium or long term future. Should additional funds be needed, for say a holiday or car insurance payments, young people reported working additional hours or borrowing money from family or partners rather than saving up over the course of time. When asked, they could not see the point of curtailing their lifestyle for the sake of saving 'a few' pounds each month – although did envisage starting to do so at some point in the future, usually to save a deposit for a house but there were also suggestions of doing so to invest in businesses.

Older participants often had family commitments to consider, for example, paying for their children's hobbies or transport needs as well as the higher cost of shopping, rent and utility bills. For these participants, much of their income was spent each month on necessities, leaving them little spare to put away. Some had made attempts to save money in basic savings accounts, but few said that they were regularly saving a decent amount - at least not enough to see them through retirement. In any case, those with savings usually thought of them as something to tide them over in an emergency or, more commonly, to assist their children's future educational expenses, rather than something to fund their own retirement. A few people mentioned having lived beyond their means in their youth, reflecting what was said by some of the younger participants regarding being relaxed about spending money on shopping and socialising. As a result, they were now focused on ensuring that the essentials were paid for, that they were living within their means and not incurring any debt.

1.1.1 How to fund retirement?

Evidence of putting money aside for retirement was thin on the ground. Although many participants expressed a desire for a comfortable, relaxed lifestyle in their retirement, few had taken steps financially to begin working towards this.

For younger participants, retirement was so far in the future that it had not yet crossed their minds. Indeed there seemed to be a belief that they had plenty of time ahead to think about saving for their future, and that even when they were a bit older, there would be more immediate concerns, for example, deposit for a house, business investments, than saving into a pension. For a small number of others, the whole idea of retirement was unappealing; they specifically disliked the idea of not working and expressed a desire to continue working for as long as possible. These were primarily first generation Muslims who had seen their parents work until they could no longer physically do so; this is a 'cultural norm' for them, and they therefore could not imagine doing anything different themselves.

"I'll probably work until I drop dead."

Male, 45+, £25-35K, Cardiff

"I want to be worked until the last day of my life, you know? Till the last day I can't move my hands."

Male, under 30, £5-10.5K, Glasgow

Amongst participants, there was little evidence of a desire to retire overseas, which presents an alternative view to other research which found Muslims are often keen to return to their country of origin¹⁹. Most of those we interviewed felt that the UK was their home, due to the fact that they have family here, and although many expressed a desire to travel in their retirement, few said they would want to move abroad permanently.

Most participants were vaguely aware that people in the UK generally stop working in their mid 60s, and so, although little thought had been given to this stage, when probed, they perceived it would be similar for them at this age. However there was certainly a discrepancy between perceptions of how easy funding a reasonably comfortable lifestyle in this period might be, and the provisions they had so far made. This discrepancy was illustrated particularly clearly by some younger participants who expressed vague wish to stop working even earlier, say in their 50s, without having given any thought to what they would live off if they were no longer working.

1.1.2 Investment in children

A particularly key finding with regard to funding retirement was the prevalence of expectations, across all generations, of children to care for their parents in their old age. Findings from this study therefore support the views of Nesbit and Neary (2001) who noted that it is common for those of Muslim faith to rely on extended family for (financial and other) support during retirement, and does not indicate a decrease in the prevalence of this tradition, as suggested by some other studies²⁰. Both older and younger participants confirmed this tradition to be a strong one, intending to invest in their future or existing children's education to provide the foundation for a good future in which the children could 'repay' their parents by caring for them as they aged. Correspondingly, most expressed a desire to care for their parents (or claimed to be doing so already), in return for all of the support they had given them throughout their lives, as well as the expectation that their own children would care for them in retirement, if need be.

"Well, truth be told, being of Asian origin we tend to live together as families. Just thinking in that sense, that in years to come me and my son, I've only got the one boy, that he will be, not responsible for me but he will be there for me. And that's the way I've just looked at it, I've never even thought that I'll be on my own."

Female, 45+, £10.5-16K, Glasgow

"As Asians we don't really rely on [pension schemes] ... because we have been brought up in a way like, I know that when mum is old, I will have to look after her ... Your parents don't depend on pensions, your parents do as much as they can while you are young and then when you are older you look after them - it's a tradition."

Female, under 30, £5-10.5K, London

¹⁹ Gough, O and Hicks, R, Retirement planning amongst ethnic minority groups, 2009

²⁰ Barnes, H. and Taylor, R. (2006), *Work, Saving and Retirement amongst Ethnic Minorities*, DWP Research Report No. 396.

<http://research.dwp.gov.uk/asd/asd5/rports2005-2006/rrep396.pdf>

1.1.3 The State Pension

Several people brought up the State Pension during discussions, and the level of knowledge and views on this were mixed. There was some awareness of the State Pension being linked to National Insurance payments, but others thought that it was essentially a government 'handout' – much like Jobseeker's Allowance.

"I think [State] Pensions are just for people who are basically really unfit to work and haven't got any other source of income... some people get Jobseekers Allowance or Income Support and I thought a pension scheme was just another thing. You're old and you're entitled and you can't work and they just help you."

Male, under 30, £5-10.5K, London

Perceptions of the level of the State Pension varied. Some felt that a State Pension would be sufficient for their needs in the future - they could not imagine having much expenditure in their old age, and had seen parents and relatives survive on the State Pension along with support from their children.

"I pay into a [State] Pension, like my father. When I retire, I take my pension, I accept it and I am happy to take the pension for however much they give me."

Male, 45+, £25-35K, Cardiff

Others, however, felt strongly that the State Pension would not provide enough financial stability as it amounted to little more than 'pocket money.' When asked, these people were certain that they would need to have income from another source to supplement the State Pension, if they wanted to maintain a certain lifestyle, although they had not always given much thought to what that other source might be.

"State Pensions, I heard on the news it's about £50 or £60 a month, it's like signing on isn't it? And I don't know if I could survive on that because I've got too much of a peachy lifestyle."

Male, 30-44, £16-25K, Leeds

1.1.4 A preference for property

Aside from a reliance on children to provide support in retirement, investment in property was commonly mentioned as the best way to provide an income later in life. While a preference for investment in property over pensions might be common amongst the wider UK population, it does appear to be something of a cultural trend for Muslims. A number of participants cited investment in property as a route others in their family and community had followed. There was a perception that property investment was a relatively easy way to earn money, and that it was a safe option, and one which would recover from the recent fall in house prices.

"If you've got a house, it's always cash in the bank. If you've got money and if you've got a house, you can rent it out and it's an income."

Male, 30-44, £16-25K, Leeds

"I think [property] would give me the maximum return with the minimum of effort, in terms of my stock."

Male, under 30, £10.5-16K, London

Muslims were also attracted to the visual nature of owning property. A house can be seen as evidence of a solid investment, as opposed to money 'sitting in' a pension or savings account, which was perceived as essentially invisible. There was also some comment that it was relatively easy to grasp how mortgages work and how a property could potentially provide income by renting it out or selling/developing the property. Furthermore, if the property value falls, the property still exists.

"Invest in something that is material, something you can see - you can pass it onto your children."

Female, under 30, £5-10.5K, Leeds

A few people mentioned other business ventures or stocks and shares that they may want to invest in for the future. However, on the whole it was property that emerged as the most popular and likely way in which Muslims intended to fund their retirement, if they planned to take any steps at all. People tended to feel that they were not alone in holding such views and believed that the Muslim community in general was quite united in its preference for investing in property rather than pension schemes - although this was not necessarily something that they discussed very much with others. People interviewed as part of the high income groups held similar views as those in the target audience about the value of investing in property over pensions. It should be noted, however, that when asked to consider pensions as an option for saving for retirement, some of the high income group participants were reasonably receptive to the idea, even if it had not occurred to them previously.

"I come from a Pakistani background and traditional Pakistani people invested in property. The other thing is the background myself and my Pakistani friends come from generally our parents don't talk about money; they don't introduce their children into saving and investments. With some of my white friends their parents advise them to start pensions at 16 or 18 years old, my parents didn't, they never talked about long term saving for your future."

Female, London high-earners discussion group

Community leaders confirmed that a preference for property over other investment vehicles was prevalent amongst the Muslim community, and that they too conformed to this method of saving for the future.

"I once had a pensions adviser come to me and we looked at different pensions and then he gave me advice. He said 'Rather than you putting money into a pension from your own pocket and being uncertain what your pension's going to do, the best thing for you to do is just buy a house, a second property, rent it out, then it's paying for itself and when you reach the retirement age you will have equity in there plus some income'. And I've taken his advice ... so to me

that is my pension ... A lot of Asian people do have second properties one way or another."

Community Leader, Birmingham

Attitudes towards pensions

1.1.5 Knowledge of occupational pensions²¹

Although some participants admitted knowing virtually nothing about occupational pensions or did not even recognise this term, a number were able to give a basic explanation of how this type of pension works. A typical description of a pension was that it is a savings plan or a 'pot' that one can gain access to during retirement.

"A pension is where you put a little bit of money every week or every month in that, and when you come to retirement age you'll start getting a little bit of that money back."

Male, 30-44, £10.5-16K, Glasgow

"You put money aside. Say you're with an employer and they've got a pension scheme, they will take a certain amount from your wages to put aside ... to be given back to you when you retire."

Male, under 30, £16-25K, Birmingham

However most people's understanding of pensions, beyond the State Pension, was very limited, with little apparent knowledge of employer contributions, or the fact that the money put into a pension can then be invested in companies, stocks and shares and that as a result, there is an element of risk involved.²² This element of risk struck an unhappy chord for some after hearing media stories about company pensions disappearing and the impact of the credit crunch on shares and savings more generally. There was very little spontaneous mention of annuities and the process by which a pension fund translates into retirement income, and exploring this further was outside the remit of this research.

A few participants were a little more knowledgeable about pensions, and discussed their thoughts on the stability of a pension fund versus stocks and shares and the likely rate of return versus inflation, but they were uncommon in their level of knowledge, and were often more informed as a result of working with pensions, or in a related financial field.

"I know pensions aren't exactly 100 per cent predictable but I'm saying at least you know you are going to get something back, whereas stocks and shares I think are unpredictable."

Male, 30-44, £16-25K, Leeds

²¹ Although exploring knowledge of pensions was not a core objective of the research, some findings did emerge which help to add context to the key issues at hand.

²² DWP/Ipsos MORI, 'Why people may decide to opt in or opt out of personal accounts: Report of a qualitative study' (2008), <http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep551.pdf>

For some, a pension simply was not something they had ever considered, or were willing to consider. In many cases it was clear that this came down to affordability, and that they felt they needed every penny that they earn for their current life stage.

"It's [a pension] an investment, you have to make a commitment in terms of money, putting it away for a long term ... whereas I've got money where I put it in the bank and I know that when I want it, I can take it out and use it ... whereas with a pension it's a long term thing."

Female, 30-44, £25-35K, Birmingham

Others felt quite strongly that pensions were only for certain 'types' of people, for example, people who were bad at organising money and needed help doing so, or people who were wealthy enough to afford one.

"I never think about private pension[s], I always think about the money I am contributing to the National Insurance and I will get a State Pension ... If you have a private pension, I know you will get extra money, but those things are for the people who are wealthy."

Male, 30-44, £10.5-16K, London

Older participants (middle age bracket) though, were generally more receptive to the idea of pensions but were either unsure how to go about taking one out, had simply not got round to organising one, or believed that they had 'missed the boat'. By this they meant that they believed that unless they had started saving into a pension by their early 30s, it would not be financially worthwhile, unless they made large contributions which they could not afford to do.

There was little evidence of much familiarity of personal pensions among those in their wider family – participants tended either not to discuss such issues or knew that older family members were reliant on the State Pension alone or had made investments in property and/or businesses.

1.1.6 Thoughts on automatic enrolment

In order to help participants think about pensions in the context of being automatically enrolled in a scheme, rather than selecting one themselves, they were presented with a scenario, shown below, featuring a fictional character named Mehmet²³. They were then asked for their views on Mehmet's situation and how they would act in this case.

²³ Although participants were provided with this scenario, the purpose of the research was not to explain automatic enrolment in any depth, or gather views on the process in any significant detail. The Mehmet scenario was purposefully simplified (for example it does not explain the 1 per cent tax relief) so as not to confuse respondents, and because this level of detail was not necessary for the purposes of this research.

Mehmet has just started a new job. His employer has to automatically enrol him as a member of the work pension scheme.

His employer will pay some money into the pension scheme each month (3 per cent of Mehmet's pay) on top of what he pays him and Mehmet must pay 5 per cent out of his pay as well.

This money will be invested for him in a pension which he can access when he retires.

Mehmet has a short window in which he can choose to opt out of the work pension scheme – but if he does so, he will lose the contributions from his employer as well.



Some expressed a degree of annoyance with this situation – they felt that getting what they saw as essentially a 3 per cent 'bonus' from your employer should not be conditional on giving up 5 per cent of your salary each month. This would make them feel 'forced' into taking out a pension so as not to lose out on this 3 per cent bonus from their employer.

"I feel like I am losing something because if I don't pay that 5 per cent then I will lose that 3 per cent... That is less money that I could be getting for my future which I am not going to get because I just want to have more money in my pocket [now]."

Male, under 30, £10.5-16K, London

To put this into context, a number of other questions were also raised about the scheme by many people²⁴, including:

- **Whether or not he would still be able to access his investment if he left the company²⁵?** Those who expressed this concern said they would want to find out how changing employer might impact on their pension prior to making a decision about opting out.
- **What would happen should a person reach a point where it was no longer viable for them to make the payments?** If they were struggling financially, would they be able to get any of their money back before retirement? Or would they be able to make contributions for a short period and then stop if it was too hard a financial hit? This reflects the financial insecurity many of this audience felt on a daily basis.
- **What reassurances would be provided about the security of contributions and how their investments were performing?**

²⁴ The reason that so many participants had questions about the scheme is due to the fact that they were not provided with full details of how the scheme operates, because the purpose of this exercise was to focus on questions they might ask about how money might be invested, and whether or not they spontaneously consider whether the fund is Sharia compliant.

²⁵ Details on the functionality of the NEST scheme were not provided for participants, because, as previously stated, the automatic enrolment process and scheme were not the focus of this project.

- One person queried **whether the employer would have an ulterior motive** for contributing additional money in this way.

The question of where pension funds were to be invested was not foremost for the majority of people, with only a few spontaneously questioning where pension contributions might ultimately be invested. Perhaps unsurprisingly, these people tended to be more religious and Sharia conscious than most in the sample, and in some cases were more financially aware (as many participants were not aware that pension contributions were invested in the aim of growing the fund). The participants who brought up the topic of investments said that they would want to know exactly where their money was going, and that this would impact on any decision they made regarding whether to opt out of the scheme²⁶.

"Speak to [Mehmet's] employer to see the pension company that they use, to find out where they're investing this money and how it's being used first and foremost. And then he would have to make the decision himself - whether he is happy where the money is being invested, and then he would either go with it or go against it."

Female, 30-44, £16-25K, Leeds

However, when prompted on the issue of knowing where their money might be invested, most people said that this would be important, although it had not occurred to them previously – and for some of those with low levels of pension understanding, this may not have arisen as a question at all. Indeed, this emerged more strongly later in the discussions (see Chapter 6), when participants were asked to think in detail about where their money might be invested; despite not having thought about these issues at first, they were often important to some degree when participants realised the possible implications.

"Although I've just said I'd take [the automatic enrolment], I have been thinking about money and things, and it's like, how is it invested? And I've even been thinking that I've got to move my mortgage, and see if I can get a Halal mortgage or whatever they offer. So yes, I would want to know where that money is being invested into. Or where's it coming back from."

Female, 30-44, £25-35K, Birmingham

For a small number of participants though, knowing where their money is invested was not a priority, and in fact they said they would not want to know where it is going. There was certainly a consensus among those with this viewpoint that their business was with the pension provider alone; what the provider then chose to do with their contributions thereafter was not their concern (this issue is explored in more depth within the context of features of Sharia compliant pensions in Chapter 5).

"It wouldn't be important [to know where my money is being invested] because, I just wouldn't want to know really. It wouldn't really bother me as long as my money's getting saved up."

Male, under 30, £5-10.5K, London

²⁶ The subject of investment of pension fund investment is explored in more detail in Chapter 6.

1.1.7 Seeking advice on pensions

Many participants said that they would have sought some type of advice if they were in Mehmet's situation, rather than relying on their own judgement. Family members, particularly those who have some experience in the financial arena, were frequently cited as potential sources of financial advice; often this was an older male relative. People said that they trust their family to give them honest opinions, and would be far more likely to consult them than to speak to bank managers or financial advisers who are generally seen as less trustworthy.

In relation to the objective of exploring the impact of spirituality on financial decisions, the role of faith and/or community leaders was discussed with participants, i.e. do they play any role in such decision making; there is no indication from this research that this is the case. Participants confirmed these issues were not the kind of thing they offered guidance on, and that they did not expect them to have information on such matters. It should be noted though, that very few participants said they would consult faith or community leaders for guidance in other parts of their life either.

Faith and community leaders themselves confirmed that they do not get consulted for advice on pensions and savings, and felt that primarily this was because culturally, this is not an issue that Muslim people think much about, or discuss outside the realm of the family.

"The pension area has never been discussed or spoken in places like mosques and with the Imams and things like that. Other things have been spoken of, like the importance of engaging within the community, staying on the good side, crime, disorder ... housing, being nice to neighbours, but on specific terms, pensions have never been discussed."

Community leader, London

"[Financial] planning's not in [Muslim people's] heads ... it's not culturally drilled into Asian people. And even I don't plan the same way as I hear other people in the indigenous community planning. We just take things as they come ... the 11 years I've been here, I've never come across anyone who's approached me, asked me about the pension, so no."

Community leader, Leeds

One leader went further and explained that they were not really qualified to give detailed advice on this topic; their role is limited to advising what is permitted within the law. Whilst leaders could suggest a more suitable or viable source of information, they cannot do much more than this to help people with their finances.

"I'm not a financial adviser. They come to me for general advice and I'll just give them telephone numbers, point them in the right kind of direction. It depends what their enquiry is. I'm just a middle man ... I think with the religious leaders most people only just ask them whether this is permitted or not permitted, not wider advice ... to find

alternatives, that's down to the individual how they do it. That's their business."

Community leader, Leeds

1.1.8 Likelihood of opting out

When asked whether, if in Mehmet's shoes, they would choose to opt out of the pension scheme, most said that they would²⁷. Concerns about where their contributions might be invested were not top of mind for most people – very few spontaneously raised this as a concern. For many, this decision was very much driven by current financial circumstances, with people looking at their own situation and deciding that they would not be able to afford to put away 5 per cent of their salary each month. Some had concerns about not being able to access that money if they needed it urgently – if they simply saved the money into an account themselves, they would feel safer in the knowledge that it was there to fall back on if necessary. For others, a desire to opt out was simply due to a lack of understanding about both automatic enrolment and the scheme, or a preference for other ways of investing their money.

"With savings it is your money and you are guaranteed to get it back, whereas if you are paying out 5 per cent of your salary every month, and years down the road things change and you need the money, you cannot get it back."

Female, under 30, £16-25K, Cardiff

"I would put him in my position, he's working as a part timer and he hasn't got enough money - he'd probably say no ... even if its 3 per cent of his pay, to him that might be a lot, and he might need it, or he might not even have thought of when he's older."

Male, under 30, £5-10.5K, London

For others it would not be a simple decision to opt out. These undecided people liked the thought of having a pension set up for them and the idea of employer contributions – but there would be factors to consider which might sway their decision either way. Similar concerns were cited by the few who had raised the topic of Sharia compliance and how funds were invested spontaneously, as well as the majority of participants where Sharia considerations were prompted by the interviewer, namely:

- **Where will the money be invested?**

For some, reassurance that the money was not being invested in a company that conflicted with their views would be enough to convince them not to opt out of the scheme, though as mentioned previously, concerns about the investment of funds was not a spontaneous concern for many people. As we see in chapter 5, views on what comprises Sharia in financial terms are not always straightforward as there are varying interpretations of how the concept applies to finances.

²⁷ N.B. Participants on this study were not given full information on the automatic enrolment scheme, rather a brief overview that contributions would be made by them and their employer.

- **How long will I be with the company?**

Some suggested that it would only be worth remaining in the scheme if they knew they would be with their employer for some time as they were not sure they would still have access to their funds if they moved employers.²⁸

- **Can I afford it?**

Others said that they would need to look closely at their personal finances to see whether it would be affordable to pay 5 per cent of their salary each month. Again, if it was possible, these people thought they would stay enrolled in the scheme, and liked the idea of it.

- **Would investment in something else, such as property, a business or shares, suit me better?**

These other types of investment vehicles, it was often envisaged, offered the potential for bigger or more reliable gains, easier control, access and understanding, compared with lack of familiarity with pensions.

Few participants said that they would proactively engage with the scheme to see how their contributions would be invested and whether this would be aligned with Sharia principles, while a minority of participants did not hesitate in saying that they would stay enrolled in the pension. They felt that the benefit of an extra 3 per cent from their employer was too good an opportunity to turn down. It is notable that many of those likely to say they would opt in, or who would strongly consider it if in Mehmet's shoes, were young women aged under 30, who were not married and/or living with their parents. Almost all interviewees fitting this description were relatively positive about automatic enrolment – this might suggest that those living at home and not having to pay much in the way of rent or mortgage are more likely to be open to pension schemes and saving for the future.

"If I am paying 5 per cent and they are paying 3 per cent that sounds reasonable, yes, I guess I would go for it. It sounds very reasonable from what I know about it, which is very little. "

Female, under 30, £10.5-16K, Leeds

"What would I advise him? I'd tell him to go for it, yes, because when he retires he's going to have nothing really is he? ... I would probably opt in ... if there isn't any other alternative, there's no point in working, working, working and not having at least something at the end of it."

Female, under 30, £5-10.5K, Leeds

In summary

It is clear that planning for retirement is not a priority for the target audience, and that, when people do begin to save for their future, property investment is likely to be their preference over a pension scheme. There is little understanding of how pensions work, and some unease regarding the idea of automatic enrolment. The

²⁸ Note that participants were not given information on the NEST scheme in particular and therefore were not aware of its portability feature

next chapter discusses how, for Muslims, faith impacts on their everyday life, including any impact it may have on their financial decisions. The subsequent chapters look in more detail at the impact of Sharia for financial products such as pensions.

4. Religion and everyday life

Introduction

This chapter looks at participants' understanding of what it means to be a Muslim and how these interpretations vary. It also examines understanding of the term 'Sharia' and what Muslims believe it refers to. This leads to a discussion on the way in which faith impacts on everyday life and the idea of a 'pragmatic' approach to religion in which people pick and choose which rules to follow. Such an approach is often linked to the practicalities of practicing the Muslim faith in a Western country, an issue which is also discussed.

The extent to which participants comply with Sharia principles is explored, and this in turn begins to touch on the key issue of Sharia compliant financial products. Awareness of, and views on, these products is discussed in more depth in Chapter 5.

Chapter Summary

- Participants saw Islam as a peaceful religion with a focus of doing to others only what one would want done to oneself. For some it was a personal thing, and simply a part of who they were - it was clear in some cases that religion and culture were intertwined, with people simply doing what they were brought up to do, and not questioning it. It is therefore difficult to say whether their actions were a religious choice or a cultural experience.
- Sharia was a familiar term for most participants who were able to give at the very least a basic description of the term; they talked about the principles of Sharia, such as forbidding pork products and alcohol as well as things such as modest dress, head coverings, and prayer. Links between Sharia and finance were mentioned by very few spontaneously.
- Most agreed that the lengths to which they applied Sharia to their everyday life is a pragmatic decision; it was not always possible to follow the law 'to the letter' and so people make their own choices about how to make Sharia fit their lifestyle.
- Across the participants there was a full spectrum of compliance with Sharia principles, from those who did very little, to those who did everything possible, even if it meant making financial and other sacrifices; the most devout people were those whose religion impacted on their financial considerations the most significantly.
- However most felt it was important to do the best they could to consider Sharia in the way they led their lives. They also believed, however that it was an issue for the individual and that Muslim people did not judge each other over how closely they followed the rules of Islam, nor do they expect that others will judge them for their choices.

Muslim faith and everyday life

Almost all participants described Islam as a peaceful religion with a focus of doing to others only what you would want done to yourself. Related to this were comments about being a good person, being happy with what one has and respecting others.

Some people immediately referred to some 'rules' of Islam – essentially praying (up to five times a day if possible), dressing modestly, not eating pork, not drinking, not gambling and generally avoiding the kinds of behaviour which conflict with the core principles of the religion and go against what is written in the Qur'an. Although the term 'Sharia' was not mentioned by the interviewer at this point (participants were asked about 'being a Muslim'), these responses highlight the fact that for many Muslims, values reflected in Sharia principles are key to how they view and apply their religion, and being a good Muslim and Sharia are therefore inextricably linked.

"Basically being a Muslim, 5 times prayers, being a good person, trying to do good, basically just sticking to your prayers ... and be good to your neighbours and good to other people and have respect for your elders."

Male, under 30, £5-10.5K, London

"What does it mean to me is that a Muslim is to be faithful to his religion, a peaceful man and a well behaved person and truthful."

Male, 45+, £5-10.5K, Birmingham

Others focused on Islam as being an internal consideration, something that was personal and just an intrinsic part of who they were. As long as they did what they knew to be the right thing, they were satisfied that they were being good Muslims.

"What does it mean to be a Muslim? For me, I think Islam comes from the heart. So, as long as you do not do dishonesty, commit criminal offences ... treat people well in this life, and obviously try and do the basics of Islam."

Female, 30-44, £16-25K, Birmingham

"To me being a Muslim is someone who always puts other people before themselves, someone who's always there for anyone regardless of their own situation and for me I think it's what's inside, what you just do but what you're feeling inside at that time ... Looking after the elderly, trying to always be a practicing, keeping with your five pillars in Islam, helping the poor."

Female, under 30, £5-10.5K, Birmingham

Some of the more devout participants spoke of Allah, and the duty of Muslims to fulfil his wishes.

"For me, being a Muslim is to fulfil the rights of one's creator as well as his creation, so the people around him, society and the environment as well, as well as his own self."

Male, under 30, £16-25K, Birmingham

"First and foremost being a Muslim is believing in the oneness of God and final Prophet. Following that a basis to being Muslim is being honest and following the rules of Islam, following the steps towards achieving my own religious beliefs which are Islam. Basically incorporating it wherever I can, in every possible aspect of my life."

Female, London high-earners discussion group

Some participants found it difficult to articulate the impact being a Muslim had on their lives, it was simply the environment they had been brought up in and so all that they knew. However, there were also some mentions of having to explain to non-Muslim friends and colleagues why, for example, they did not feel able to join a lottery syndicate or to have an alcoholic drink. Some also talked of misconceptions that they felt some sections of society had towards Muslims.

"I just don't think about [faith] to be honest with you. I know my limits if that makes sense when it comes to things but I don't really like, when I'm talking about pensions or everyday life you know work, I don't really think about my faith or my culture."

Female, 30-44, £25-34K, Leeds

"Because there [are] extreme Muslims which are just so wrong, I tell you that now as a Muslim. Muslims who aren't really Muslims at all and just do it for the sake of it when they want to show that somebody is a Muslim ...I think we have a nice happy, medium here. We don't do it to please other people; we don't do it because we feel we have to. We feel we are doing it because we want to."

Female, under 30, £5-10.5K, Leeds

The impact of Sharia on everyday life

Almost all participants were able to give at the very least a basic description of what Sharia means, and many used the term 'Islamic law' in their description. The key points made were that it was Islamic law as set out in the Qur'an, that it was a key set of rules for Muslims to follow or principles to guide them down the correct path. There was mention by some of Islam being an ancient religion, which was described as having not been 'updated' over time – this had led to varying interpretations of its script on the part of some participants, and therefore, of Sharia principles.

"My understanding is that it's the law, Islamic law in a nutshell. So it's guidelines or laws that we need to be following realistically on certain things."

Male, 30-44, £16-25K, Birmingham

"We comply with all the Sharia Law. We don't drink, we don't do things which are not allowed. Don't gamble. Don't take interest. Don't eat pork."

Female, 45+, £10.5-16K, Leeds

Many were also able to offer more detailed descriptions of the impact of Sharia principles, for example, forbidding pork products, alcohol or other drugs which alter the mind, violence of any kind and gambling. Fewer people talked about observing modest dress and/or head coverings, and the need to pray up to five times a day. Some mentioned donating a proportion of their income to charity ('Zakat') and/or not claiming interest on their bank account at this point, which may have been prompted by previous discussions about personal finance and pensions. However most people did not spontaneously link Sharia compliance with finances and financial decisions – this suggests that the impact of Sharia on finance is not something that many people had considered or something that occurred to them unless reminded about this.

The extent to which participants applied Sharia principles to their everyday lives varied hugely, but most were united in their view that it was something to be approached pragmatically – and on an individual level. By this, they meant that it was not always possible to follow every principle through in its entirety and people need to make their own choices about how to make Sharia fit with their lifestyle.

"Everyone has their own beliefs. Everyone reads the teachings. We know what we're supposed to do. Some people follow the rules, others don't. Some people are strict followers of the rules, others are not. So it really depends on each individual's point of view."

Female, 45+, £16-25K, Glasgow

"I don't fast. I don't believe in fasting and as well it makes me feel ill when I have tried to do it so I would rather just give some money to charity and feed someone else."

Female, under 30, £5-10.5K, Leeds

"I don't have something significant on myself that identifies me as anybody that is different to anybody else. I don't wear the head scarf so I honestly don't see myself, you know, I could be anybody really. I don't define myself by my race or my [faith], that is more private. You know, my culture, my faith, is all private and I practice it, whatever I do I do in my own time and in my own space really."

Female, 30-44, £25-34K, Leeds

This view was echoed by the community leaders, who explained that understanding of the law and how to apply it to life varied widely; much of their role was to be there to explain what is right by the law, should people request their help.

"People's understanding of the Sharia Law is different. That depends on each individual's education and their upbringing, etc. Hence the reason why people go back to the religious leaders to just double check is it right or not right. Most people know most of the Sharia anyway, but there's always exceptions to the rule, aren't there?"

Community Leader, Leeds

Many people claimed that they did the best that they could to practise the rules of Islam, but their perceptions were that they were less religious than others in their community. Often they mentioned members of their family, usually parents or grandparents, who were much stricter than they were about following Sharia. There was also a common perception, linked to this, that the older generation in general were more observant Muslims than the younger generation, who have often been brought up in a very different world i.e. western society. It should be noted though that this was merely a perception amongst some of those we spoke to – in fact, a number of the younger Muslims who took part in the study appeared to be as devout as some of the older participants, whilst some of the older Muslims were more relaxed in their approach to Islam.

Typically, the group who described themselves as ‘relaxed’ Muslims said that they did not eat pork and most said that they did not drink, dressed modestly and behaved respectfully towards others. They believed these were things they were brought up with and part of their culture as Muslims as well as people from particular ethnic groups. Such participants also mentioned the fact that they did not find the Sharia principles they applied particularly difficult to adhere to. Examples of areas where participants were more relaxed included being less likely to partake in regular prayer or having partners who were non-Muslims.

"I am quite relaxed in a sense ... I don't eat pork but apart from that I'm not too fussed".

Male, under 30, £10.5-16K, London

"Even though I was born in [a] Muslim country ... the society and the environment where I've been brought up is not very, very strict. We are Muslims but we are not very strict Muslims. We don't harm anybody, we don't steal anybody's money, we don't use dirty money, you understand ... we do make our own judgements."

Female, 30-44, £25-35K, Leeds

"It does affect our everyday living, like the choices of food and how we dress and where we go to socialise. But it's not major unless you let it affect your life. Some people do take it very, very seriously. I'm very relaxed but I do respect my religion and I follow it a lot but I'm very relaxed in a lot of the day to day living ways."

Female, 45+, £10.5-16K, Glasgow

There was also some sense that one's degree of adherence to Islam's principles could vary over time – a number of participants made reference to having lived in a less conscientious manner in their youth, such as drinking or spending beyond one's means. A small number also spoke of an earlier time when they had followed Islam's teaching more closely, such as wearing a headscarf, or when they had had more time to pray. Some younger participants therefore foresaw a time, as they got older, when they would practise their religion more observantly.

This idea of 'doing the best you can' seemed to be linked very closely to the fact that many participants felt it is impossible to be fully Sharia compliant in a non-Muslim country. These people felt that they could not let Sharia govern their lives in a western country, because it simply was not feasible in some circumstances - most did not worry unduly about this. In fact for some, it was important not to adhere to all of the rules as a UK resident, as they felt that it was important to adapt to the cultures and customs of the country in which they lived, and not to force their traditions, values and beliefs on others. Others pointed out that even in some Muslim countries, such as Morocco, there were aspects that did not comply with Sharia, such as adverts for certain financial products.

"If you want to live in western countries there is no way you can follow Sharia law."

Male, 30-44, £10.5-16K London

"In England the Sharia law doesn't apply. It applies basically, to food etc and that kind of thing you can apply day to day, but it doesn't really apply like massively here, because we live in a land where it's not an Islamic country but you take the best part of the Sharia law and apply it to your day to day living without it infringing on other people's lives."

Male, 30-44, £16-25K, Leeds

Others said they wished they could do more to observe Sharia. They wanted to follow the principles as closely as possible, but found it difficult to do so in a non-Muslim country which operates with the non-Muslim majority in mind. The kind of things that create difficulties for devout Muslims are socialising in places where alcohol is served, or not being able to leave work during the day for prayer. Whilst they were accepting of the dominant UK culture as a non Muslim way of life, some felt that there is, to a certain extent, a lack of understanding about Islam and its principles, and found that this creates awkward situations at times.

"I do know that being a Muslim here is really, really difficult ... every day you're facing different challenges ... I think people don't appreciate your values and they don't understand your culture a lot. I do a lot of explaining at work and I work with a really nice team. They're lovely but just ... they do a lottery syndicate every week and I don't go into it and they're like 'Why what if we win and you won't be able to have part of it?' and it's just against my rules and my beliefs and they just don't get it."

Female, 30-44, £16-25K, Leeds

"In this sort of world it's very difficult to follow Sharia laws to a certain extent - I mean, I put my money into a bank account. I wouldn't earn any interest on it as long as I don't have to pay an interest to anyone else on it. Fair enough. Sorted. But it isn't like that is it. If I took a loan, even though it is Sharia law, they still make some money out of it if you look very carefully ... various things that go on that you don't always know about."

Female, under 30, £5-10.5K, Leeds

A small number of participants were particularly devout, and tried to be Sharia compliant in every aspect of their lives. This was the group which was already fairly aware of Sharia compliant financial products, and were donating portions of their salary to charity and not claiming interest on their accounts.

"Islam is a complete way of life, so every aspect of one's life is governed by the tenants of religion including financial decisions, what to eat, what not to eat, and even how to trade, where to put your money, things like that, you have to think about things like that as well."

Male, under 30, £16-25K, Birmingham

In summary

The extent to which participants complied with Sharia principles varied immensely. It tended to be largely down to individual choice, with many taking a pragmatic approach. The term 'Sharia' was familiar to participants, who provided examples of its principles and impact on their lives. However, implications of Sharia for finance were mentioned much less frequently than those for other aspects of life. Knowledge and perceptions of Sharia financial products and the demand for Sharia financial products is explored in the next chapter, with the final chapter investigating the importance for Muslims of different possible features of pension schemes.

5. Understanding demand

Introduction

This section looks at knowledge and perceptions of Sharia financial products and sources of information about them. It then examines the extent to which PADA's target audience seeks out Sharia financial products, before focusing on the importance of Sharia in the context of NEST and what sources of reassurance regarding Sharia qualities would be welcomed.²⁹

Chapter Summary

- Top of mind understanding of how Sharia applies to finance included: not paying/receiving interest; not investing in forbidden companies; paying Zakat; not taking out some types of insurance; and living and spending modestly.
- Sharia financial products were appealing because they did not involve paying/receiving interest or investing in forbidden industries. However, demand for these products was not high, and there was little evidence of people actively looking for Sharia compliant financial products, though several had considered them. Most with concerns about being financially Sharia compliant were tailoring mainstream financial products to fit their beliefs; i.e. giving interest to charity or not accepting it from their bank.
- Perception of higher cost was the biggest barrier to using formal Sharia financial products. Some felt there was little need for these products in Western society and were cynical about the introduction of separate financial products specifically for Muslims. Others questioned how different they were from the mainstream and the reliability of these relatively new Sharia institutions.
- Likelihood of opting out of automatic enrolment was primarily due to financial constraints, as opposed to concerns about non-Sharia compliant investments, often because participants were not aware that pension funds were invested.
- However, a number felt they would have to opt out of a pension scheme if they knew there was a Sharia version or that contributions were being used in forbidden industries. Remaining enrolled in a Sharia compliant pension would be acceptable to most as long as the costs were fairly similar to the mainstream one.

Knowledge and perceptions of Sharia financial products

As reflected in chapter 4 when discussing application of Sharia principles to everyday life, there was some difference about the theoretical implications of Sharia for financial products and how participants applied these principles to their finances.

²⁹ N.B. Participants were specifically asked for their thoughts on sources of reassurance about Sharia financial products, after being introduced to the idea of Sharia compliant finance; they did not spontaneously discuss a need for this information.

This pragmatic approach was generally regarded as acceptable when living in a westernised country where the financial system and society norms are not formed around Sharia principles. There was, therefore, the sense that Sharia principles are to some extent open to interpretation and the degree of application is up to the individual.

"I think more for the financial side of it Sharia is something that we can adopt into our day to day lives if we choose to do so."

Female, 30-44, £25-34K, Leeds

However, a minority took Sharia very seriously and lived by its principles as much as possible in financial terms as well as others aspects of life. Even for such people, non-financial implications were not top of mind - it was only when probed specifically that financial elements of Sharia were usually mentioned.

1.1.9 Top of mind understanding of Sharia financial products

This section explores the main Sharia considerations mentioned spontaneously by participants with regard to finance, namely:

- not paying or receiving interest
- not investing in contraband companies
- paying Zakat
- not taking out (some types of) insurance
- living and spending modestly.

Not paying or receiving interest: The overwhelming view was that interest charges and payments should ideally be avoided, although some were pragmatic in how they applied this if there were no workable alternatives. This most commonly cited Sharia financial principle was often something participants had considered in relation to their current account (see next section). Interest was generally perceived as 'forbidden' because it is not ethical to make money simply by charging someone else; or because it is not always clear whether the money that comprised the interest had been generated in a Sharia compliant way. However, there were also some who simply understood that interest is not allowed but could not explain the thinking behind it.

"To make money out of nothing...it's not something that is allowed! "

Male, under 30, £5-10.5K, Birmingham

"In terms of interest the one reason why it's not allowed is that the money is not working for you, it just sits there and it builds up, it's not pure money... you should be trading it and using it as opposed to it just sitting there and building from nothing, because that money is coming from somewhere and you don't know."

Female, under 30, £5-10.5K, London

The principle of not paying or receiving interest was not always straightforward. A minority of participants believed that variable rate interest was allowed as this was

regarded as 'profit'. However, another group believed that it was variable interest that was not allowed, while fixed rate interest simply formed part of an agreement and so was acceptable. Related to this, there was also some belief that, while investment is allowed, the profit has to be proportional to the amount invested, or it could be regarded as gambling (which is not allowed).

"I suppose if I gave you £10 and said look give me £15 back if that's an agreement that's fine, that's not interest. The interest is where you don't know how much you are going to pay me back."

Male, 30-44, £16-25K, Leeds

"You are not allowed any borrowings, you simply earn what you make, and you are allowed to invest what you make but so long as it's not benefiting you to a point where you are investing that much [hand gesture – a little] and you are making that much [hand gesture – a lot]."

Female, under 30, £5-10.5K, London

Others differentiated between borrowing money from a bank as 'bad' and borrowing from friends and family as being 'allowed', but could not explain why.

Not investing in contraband companies: A fairly common spontaneous concern was not investing in industries 'forbidden' under Sharia, such as gambling, weapons and alcohol companies, bars and clubs, or, less commonly mentioned, companies who make their money unfairly, by, for example, selling items at grossly inflated prices. Participants tended to think of these things in terms of hypothetical investments they would not wish to make themselves, rather than thinking about investments financial institutions might make with their savings. For a small number, how a financial institution might invest deposits was something they had vaguely spoken about when discussing Sharia financial institutions.

"There are certain things probably which would be forbidden, not to invest in certain types of companies. So as long as it was a company that was, you know, compatible with Sharia law it would be okay."

Female, 30-44, £16-25K, Birmingham

"They say if you do Islamic banking your money will still be invested but not into wars and bad things, that would make it Sharia compliant but I don't really know that much about it."

Female, under 30, £16-25K, Cardiff

Paying Zakat: The Zakat (charitable donation payable on a percentage of earnings and investments) was another aspect of Sharia finances mentioned, which is required under Sharia principles; some participants practiced this whilst others regarded it as something they would like to do. However it was by no means followed universally; one participant had stopped paying Zakat as he claimed that he thought that the money may have been spent by the Mosque rather than going directly to charity, although he did not describe any grounds for holding this view.

Not taking out (some types of) insurance: A small number of participants felt that taking out insurance was not Sharia because Allah's will is: 'what will be will be.' Some differentiated between life assurance - 'forbidden' because Islam believes life belongs to Allah rather than individuals – and other types, such as home and contents – allowed, as individuals can own these items. Car insurance was also generally accepted as allowed because it is a legal requirement. Again, some were aware of the principle of not having insurance, but were unsure why it was not allowed.

"Life insurance is forbidden, because life does not belong to you, so you can't insure your life, but you can insure your contents because it belongs to you. You can insure your house because it belongs to you."

Female, 45+, £10.5-16K, Leeds

Where insurance policies had been taken out, there was a preference for paying annual premiums, usually because these worked out cheaper than monthly payments. However, a small number mentioned making annual payments due to religious reasons, to avoid incurring interest.

"In car insurance they say you have to pay instalment monthly but it is some interest on that. Due to that I am asking them ... 'Is there interest on this instalment payment monthly?' They said 'yes'. 'So can you avoid that or pay six months in advance'. 'No' they said 'if you want to avoid interest pay totally, yearly'. So I did that."

Male, 45+, £5-10.5K, Birmingham

Living and spending modestly: Some participants cited the more general financial principle of living modestly – interpreted variously as living within one's means, not spending freely and not borrowing or owing money. This was generally ascribed to the Islam ideal of being at peace with oneself, although the value of supporting others less fortunate was also mentioned.

"Debt is something that is highly unregarded in Islam. You really shouldn't be in debt."

Male, under 30, £5-10.5K, Birmingham

"Not to be lavish and rash about [money], I think just to be quite humble."

Male, 30-44, £16-25K, Leeds

Individual responsibility for Sharia principles: Participants tended to concern themselves with the direct consequences of their actions rather than any subsequent effects. Thus, in terms of Sharia principles, although they had thoughts on types of companies and industries they would not wish to invest in, they drew the boundaries of responsibility there, rather than worrying about suppliers or organisations supporting the initial one.

"I put my money in my account, I know bank does business, but it is not my business. Bank is doing their business."

Male, 30-44, £10.5-16K London

"[it's] hard to know where to draw the line. Just look at alcohol. Do you go as far back as a farmer, the wheat and the barley and everything is farmed? Just where do you draw the line or do you just not invest in anything that actually brews the alcohol? So you can't stop with the bottle maker and you can't stop with the cork maker because then you'd go mental if you started thinking like that and they'd be nothing left for you to invest your money in then would it?"

Female, 45+, £10.5-16K, Glasgow

One exception to this was the weapons industry – a small minority were so strongly against investing in companies that made weapons that they would try not to invest in companies that supplied them, for example, with engine parts for their weapons. They would also try to avoid supporting larger companies perceived to have certain views of war, but there was an acceptance that it is not possible to cut out support for all suppliers.

"Just because of the fact that it's so difficult to avoid everything. To avoid everything that is not correct is very difficult."

Female, under 30, £5-10.5K, London

This 'out of sight, out of mind' attitude was also reflected in the attitudes of a number of participants towards the extent to which they would investigate how pension contributions are invested, as is explored later in this chapter.

Sources of information about Sharia finances

Common sources for information about Sharia principles and finances were:

- personal contacts such as family and friends or colleagues and word of mouth, especially – but not always - those with personal experience of Sharia products or those who work in the finance industry (for Sharia and non-Sharia institutions)

"I've been in part of conversations in larger groups where people may mention that. But I do not know of anyone who will have proactively gone looking for something like that."

Male, 45+, £25-35K, Leeds

- advertising (billboards, leaflets and Asian TV networks)

"Everywhere you see, Sharia compliant mortgages, Sharia compliant bank accounts, or car insurance. I hear them, when you go to say the Mosque or an Islamic event of some kind, you see them advertised, leaflets."

Male, under 30, £16-25K, Birmingham

- books and websites (general searches, such as via Google, and specific sites, such as the Islamic Bank of Britain or sites related to Mosques, where people can post questions)

"Before you could ask one of the scholars, but now [you can ask via] the internet. You just go on a website, for example, for the life insurance, the company, they offer me life insurance and I said 'I don't think I can take it, but I will ask', so I send an email asking [the scholars on the website] about life insurance"

Female, 45+, £10.5-16K, Leeds

- discussions with financial institutions, when investigating taking out a Sharia financial product

Although Imams and Mosques were not commonly approached for financial advice, some people said that they would consider going down this route in future. Others reported not wanting to approach 'official' sources for advice because they would not want to be 'judged' or because they did not believe they knew about or were 'in touch' with finances.

There was some acknowledgement that information is not always easy to understand or that the explanations provided were not sufficiently convincing. Others reported receiving conflicting messages about what was acceptable.

"I don't understand the jargon to be honest with you [that I read on the website]. I understand the basic principles of it all but there's not a set list of rules and regulations."

Female, 30-44, £16-25K, Leeds

The view was also expressed that different interpretations of Islam meant there were differing views as to whether products were 'allowed' or not.

"With the Muslim community we have scholars but they may have different view on things. You can speak with one and he could agree something was Sharia compliant but another may disagree."

Female, under 30, £16-25K, Cardiff

To what extent do Muslims in the target market seek out Sharia compliant finance generally?

There was a sense among some that Sharia finance was becoming more mainstream, and this is backed up by other research.³⁰

"I think it's becoming more and more popular. I mean 10 years ago I didn't hear of any kind of financial banking that offered these kinds of products. I mean maybe they were but you never hardly heard of them and now it is becoming more and more popular and I'm hearing a lot more people speaking about these kind of products."

Female, 30-44, £16-25K, Leeds

³⁰ Dar, Humayun A. Demand for Islamic Financial Services in the UK: chasing a mirage?, 2004. <http://hdl.handle.net/2134/335>

There was generally fairly good awareness of the existence of Islamic banks, but not much understanding of the ways in which they operate, or how their products differ from other banks. Names mentioned in relation to Sharia financial products included the Islamic Bank of Britain Plc, HSBC Amanah, Lloyds and HBOS. However, awareness of Sharia products varied greatly, with some able to explain how various products operated, others aware of their existence but with little understanding of what made them Sharia, and a few who were aware that some Islamic institutions existed but were unsure of what products were available. This awareness often dovetailed, unsurprisingly, with participants' financial confidence in general.

1.1.10 Experience of Sharia products

Generally, participants believed involvement in the western financial system was unavoidable given the central role this plays in UK life for wages, buying food and other products, paying rent/mortgage and bills. A few tried to limit their use of the financial system as much as they could, whilst others used standard financial products but tailored them, where necessary to comply with Sharia. A further group used standard products widely and did not consider Sharia principles – some admitted feeling a little guilty about this but others did not as they believed Sharia financial principles are unrealistic in western society.

There appeared to be three broad reasons why Muslims showed an interest in Sharia financial products:

- **Interest was not involved** – as discussed earlier, there was fairly wide awareness that interest was something that was forbidden under Sharia.
- **General appeal of a product branded 'Sharia'** – participants might not understand the detail of how a product operates or how the Sharia version differs from the mainstream offering but, if all else was equal, they would be interested in something they recognised as aimed at them as a Muslim. They believed such a product would respect Muslim beliefs without on the whole needing to understand the detail.
- **Investment of funds** – this was less prevalent than the other reasons but some were concerned about how institutions invested money and who they supported. A small number related this to how their own deposits were used but others spoke in more general terms of institutions investing in certain industries being undesirable.

While a number of participants mentioned family or friends who had used Sharia products, and had perceptions of available products as a result, only one had personal experience of using Sharia financial products. This person had previously used a Sharia product for their car insurance and currently held a bank account with a Sharia institution. A small number of others were in the process of considering setting up a Sharia bank account or investigating a Sharia mortgage or insurance policy. These people came from various backgrounds but they tended to have at least a fair amount of knowledge about Sharia, and most either knew someone with knowledge of Sharia finance or worked in the financial industry themselves.

Some people tried to tailor standard products to conform with their understanding of Sharia financial requirements, rather than using specifically Sharia products. So with regard to bank accounts they would use one of the following methods to avoid interest:

- paying any interest they received to charity
- asking that their account not accrue interest
- asking for their money to be invested in shares so they could attract 'profit'.

Similarly, some participants believed that usage of credit cards is allowed as long as (depending on their variable interpretation of Sharia guidance) they are sure to pay off the balance in full each month, the amount spent on the card is small (so the amount would be regarded as 'peaceful' and so not forbidden) or that they had paid for ownership of the credit card which would render it an investment (which is allowed). There were also a few participants who believed that a mortgage using either variable or fixed interest is allowed (All of the mainstream school of thoughts in Islam agree that interest is Haram).

"but I think the older generation is a bit different, because when they first came to this country, they didn't have any of these things available, so unless they bought a mortgage the traditional way, they probably wouldn't have a house, so they had less of a choice, but because people are getting more aware now, more educated in Islam as well as other forms of education, all these things are being made available for us".

Male, 45+, £25-35K, Cardiff

The high income earners who took part in the two group discussions were recruited on the basis that they already had a Sharia compliant financial product. This mostly comprised holding a current account with an Islamic bank but one group participant had a Sharia mortgage, and several others were looking into taking out one of these. For this group it was again the avoidance of interest payments which appealed about Sharia financial products. Many had previously tailored standard bank accounts by not accepting interest but had switched to a Sharia account once they became more widely available. Banking with a Sharia institution had generally increase group participants' confidence in their Sharia observance.

"Yes, absolutely, yes [interest is one of the main criteria]. Try and avoid interest ... up until fairly recently, there was no Sharia compliant product available at all. So as much as you wanted to be as true to your beliefs as you could, you just didn't have a choice."

Male, Stockport high-earners discussion group

"I have an Islamic bank account with the Islamic Bank of Britain. They don't give interest. I opened that account last year and my wages go into that account ... the selling point is there's no interest."

Male, London high-earners discussion group

"Because of the options available now [I have a Sharia compliant account]. Many years ago they weren't there but many conventional banks are now adopting Sharia compliant and Halal products - that has made me more aware and I have more of a choice so I feel I can go in and bank with them."

Male, London high-earners discussion group

1.1.11 Desire for Sharia financial products

The general lack of personal experience of formal Sharia financial products is not to say that there was no demand for such products. There were many who believed Sharia financial products were preferable to standard ones simply by being Sharia compliant, even though they did not know what it was that made the product compliant. However, few people were actively looking for such products, and many had not really considered them as an option. This was particularly the case for pensions, a subject many participants had given little thought to and had little awareness of, so were often unaware that standard pensions might be regarded as non-Sharia compliant.

The view amongst participants that there is a **higher cost** for such products (a general perception, and one that those who had investigated such options agreed with) led to some people believing them to be unaffordable for many of those on low to middle incomes. Other research published seven years ago in 2004³¹ indicated that Sharia financial products tend to appeal to those who are more devout or on higher salaries. The findings of this research support this view, with little consistent pattern of views correlating by other factors, although it must be remembered that this was a qualitative study.

The lack of understanding of how Sharia products differ from standard ones meant that most were unable to explain why they might cost more. However, even where there was some understanding of why Sharia products are more expensive, the higher cost was still a barrier for many. There were indications that if costs were more comparable, there would be a higher take-up of Sharia products.

"If they offered obviously cheaper packages and stuff or something that suited me financially then I probably would go [for a Sharia product]."

Female, under 30, £5-10.5K, Leeds

"I am not so financially sound that I can try to be so devout that I think about where I put my money in... I appreciate what people are saying and what my religion is saying but I think I have to look out for number one."

Male, under 30, £10.5-16K, London

"We did look into the Islamic mortgage but again it was so much more expensive and when we got down to it, when we had a discussion about it, again I don't have confidence... that they're

³¹ Dar, Humayun A. Demand for Islamic Financial Services in the UK: chasing a mirage?, 2004. <http://hdl.handle.net/2134/335>

saying that the interest and things like that, they're not used in the way that they're saying they're not."

Female, 30-44, £16-25K, Leeds

Among those with some interest in Sharia products, other less common barriers to take-up were the potentially **longer set up time** for mortgages and the **limited number of branches** of Islamic banks making it difficult to access funds, especially for those living in areas of low Muslim concentration.

"[My brother] needs access to his money more widely than IBB can offer... He went to a high street bank."

Asian male, under 30, £10.5-16K, London

However, others had little personal regard for Sharia products, for a range of reasons:

- **pragmatism** about what is workable within the existing (non-Islamic) financial system:

"A lot of Muslims say you live here and no matter what you are going to need a house to live in and you cannot get a house without a mortgage so it doesn't make sense for you to refuse to have a mortgage otherwise where are you going to live."

Female, under 30, £10.5-16K, Leeds

"I don't believe that if I was doing things by the Sharia law, I don't think I would be able to open my own business because I am borrowing money from the bank. I need to borrow money from the bank and that is not feasible."

Male, 45+, £5-10.5K, Leeds

- the belief that there is little place for Sharia principles in the UK:

"I don't know whether it is a trust thing... [but] we are in a British state that is not an Islamic state and it is not ever going to be that, so I cannot understand why we are adopting certain practices really. I think at some point we are going to get a lot of Muslims that are going to be saying 'hold on a minute, if you are doing this', some very extreme people will be thinking 'well why don't we adopt these other things that have negative terms' really, so it is a bit of a strange one to marry up to be honest."

Female, 30-44, £25-34K, Leeds

- a level of **cynicism towards Islamic banks**, particularly in light of the higher cost of such products, and questioning about whether Sharia products actually offered anything different from standard ones or if it was merely a marketing ploy:

"I know that they say it is Halal compliant, but to me I think it is just the way it is done. And although it [the rent charged under a Sharia

mortgage] is not labelled as interest, I think, pretty much it can be seen as that."

Female, 30-44, £16-25K, Birmingham

"Some people are making use of the needs of the Muslims, because this will be the only channel, or the only way for them to deal with, so they put more costs on, so if you compare the mortgage in certain banks, the normal mortgage and the Islamic mortgage, you will find you pay more in Islamic market."

Female, 45+, £10.5-16K, Leeds

- questions about how well the smaller, relatively new Sharia financial institutions could **manage finances** and the possible consequences should this type of institution go into **administration**.
- **scepticism** towards mainstream institutions offering Sharia financial products, and how an organisation which operated the rest of its business in a non-Sharia manner could claim to adhere to Sharia principles.

So it appears that while for some Muslims Sharia products are very attractive, others are content to work within the parameters of standard products, or regard them as desirable but unaffordable (or cite other practical reasons). Some show a degree of scepticism about the value of such products and the quality and security they offer.

1.1.12 Perceptions of what a Sharia pension might entail

When prompted for their thoughts on what a Sharia pension fund might be, participants were generally unable to give an explanation. Some presumed a lower return; others that it would not rely on interest – but they did not know much about how interest related to pensions. A few mentioned that a pension of this type should not invest money in ‘non-Muslim ways’ but they struggled to give a definitive answer as to what these might be.

"You wouldn't get such a big amount out of it I don't think... because they don't believe in you having to benefit so much, so you could open a pension scheme but it is more about how much you put in, yes, I am assuming the benefit will be a lot less"

Female, under 30, £5-10.5K, London

"Pension Sharia compliant could mean either you get back what you put in and you don't get any bonuses [i.e. interest]. Or it could mean that it's invested in a way that it doesn't like use for gambling or for things that are like illegal stuff, weapons, drugs, and it wouldn't be invested into those kinds of things. And it would probably be invested in something like, I don't know, the building trade, or something that's allowed."

Female, 30-44, £25-35K, Birmingham

Some referred to their experience of growing up in a Muslim country as reason for believing that pensions are allowed under Sharia but could not offer further reasoning. Generally however, participants had little idea about how pensions work

so were not sure what features would need to be in place for it to be Sharia compliant.

Appetite for Sharia in the context of automatic enrolment

Initial reactions to the concept of automatic enrolment were fairly ambivalent, as discussed in chapter 3. The tendency for participants to want to opt out was primarily related to financial constraints and the feeling of being too young/not yet settled enough in a career to worry about saving for retirement. Likelihood of opting out over fears of where funds would be invested was not evident, as for most participants, the question of how pension funds were invested only became an issue when the interviewer raised it. This was because the implications of Sharia for financial products were generally not top of mind, and so investment was only cited as a spontaneous concern by a small number, usually the more devout and more financially aware.

"To be honest, [where your money goes is] something that you don't think of when you invest in pensions at the time. If it was brought to my attention, I would question straightaway."

Female, 30-44, £25-35K, Leeds

When prompted to think about what might be important in terms of how pension contributions were invested, most participants stated that they would not want their money to be invested in 'a non-Muslim' way, but some remained more concerned with the financial security and likely return of funds. It was only when prompted with a list of investment possibilities³² (see appendix 4), that most participants started to think about ways they would want/not want their pension contributions to be invested.

In terms of individual responsibility, as indicated previously in this chapter, many participants felt that their duty was to do their best to live by Sharia principles and try to adhere to Islam's teachings as they understood them. Only a small number of participants believed the onus was on the individual to ensure they were not unknowingly going against Sharia; generally the feeling was that 'what the eye doesn't see, the heart doesn't grieve over.' For automatic enrolment, this would indicate that, unless participants were aware that pension companies invested their contributions, they would be unlikely to raise this as an issue (although they may query the role of interest for pensions, which was a far more common spontaneous concern).

"I don't think anybody needs to know [about where funds are invested], no. I don't think they need to know because they are not the fund managers. Why do they need to know? And if they know of what use is it to them?"

Female, 45+, £16-25K, Glasgow (who already invests in her company pension and has not raised such questions)

"Generally people won't even ask about stuff like that. If they were told, if you invest in this you're going to get this, that and the other, I

³² This was provided to help understand which features were most important – and is discussed more fully in chapter 6.

don't think they're going to ask you a question. But once it gets into the news or something, that this firm's doing that, everybody will be up in arms."

Male, 45+, £25-35K, Leeds

However, if presented with a Sharia and a non-Sharia pension Muslims may be more likely to opt out as this raises the possibility that there may be aspects of the standard one that go against Islam. In this research, having been informed of the existence of Sharia pension funds, many participants indicated that they would feel the need to act on this knowledge (i.e. opt out of a mainstream pension), if they discovered investments went against their principles. A handful even expressed great annoyance at the possibility that they could be indirectly investing in something that went against their principles as a Muslim, although the majority were more measured in their views.

"As long as you're given the information... then you can have the opportunity to opt out of it straight away then you've done your best to ensure that you've stayed away from things that you're not sure about but if you're automatically enrolled into a pension scheme and have not spoken about it and not informed then I would be really, really offended and I am sure that there would be plenty of people who were."

Female, 30-44, £16-25K, Leeds

"Yes, if I found out afterwards that it was investing in the things that I've said that I wouldn't want then I probably would opt out of it... I suppose your conscience would play on your mind and that's probably what would happen in my case, my conscience would get the better of me."

Female, under 30, £5-10.5K, Leeds

The extent to which participants would subsequently choose to opt for the Sharia version is unclear as it would involve participants balancing Sharia compliance against the cost of contributions and the possible higher cost of a Sharia pension. Chapter 6 discusses in more detail views on the value of Sharia features against 'cost' features such as management charges and return on investment.

There was a small number of participants who felt that even if they were aware that a standard pension might not comply with their interpretation of Sharia, they would be unlikely to opt out. This was either because they would 'not get round' to doing so, or because they did not believe Sharia principles applied strictly in a western country (they applied Sharia pragmatically and would not want to lose employer contributions or miss out on the opportunity to start a pension). In addition, as mentioned previously, some people felt that what the pension provider did with their contributions was not their responsibility – their business was with the provider alone.

It needs to be remembered that participants were speaking hypothetically and that their views could be different once they are thinking through their actual situation. Some participants may also be unwilling to say that Sharia considerations would not be significant in their decision and would not want to admit (to themselves or others)

that they prioritised finances over their religious beliefs. So, when automatic enrolment is introduced behaviour may be somewhat different than participants thought at this stage.

1.1.13 Reassurance about Sharia compliant qualities

The reassurances participants would need to be sure of a pension's Sharia qualities were similar to those they would need for other financial products. Some would trust what they were told by the pension provider or their employer, particularly if they had evidence in writing. Again, this was linked to the need to believe one is doing one's best to abide by Sharia guidance.

"You can believe what they say on face value."

Male, under 30, £10.5-16K, London

"As long as you know by whatever knowledge you've done alright, but even if it doesn't work out to be alright or something happens, in your knowledge you knew that, it's for this reason, for a good reason."

Male, under 30, £5-10.5K, London

However, others would need to see some type of independent monitoring or verification. The importance of providing reassurance about a product's Sharia values was illustrated by one participant who worked in a Muslim organisation. He recalled a pension provider visiting the workplace and the staff raising questions about interest and how money would be invested.

"Nobody was interested in taking [a pension] out because I think it came down to the moral ethics stuff.... investments, where the money would get invested, whether there was interest on it and that kind of thing."

Male, 30-44, £16-25K, Leeds

Participants suggested a range of ways in which they might be reassured of a pension's Sharia values, including:

- written updates, for example, annual or bi-annual, providing the names of companies their money was being invested in, thus allowing them to monitor or do their own research into the companies:

"I would like to see some evidence of where that money was going if it was going. I'm not sure if it was going to other businesses or if it was going into buying properties. I would just like to get a bit of information about where and how and just have a bit of reassurance really."

Female, 30-44, £16-25K, Leeds

- the ability to speak to a pension provider representative to raise any questions they might have about where contributions were being/might be invested:

"If [the provider representative can] answer all the questions I have then I would probably just take [the pension] out."

Male, 45+, £25-35K, Cardiff

- a certificate or Halal stamp such as the Halal Monitoring Committee – HMC
- the name of an Islamic institution attached to a product, to demonstrate their approval
- a committee or board overseeing management of the pension – although there was a lack of agreement about the possible composition of such a monitoring board.

- The pros and cons of various compositions were not explored in detail so suggestions indicate merely what participants would expect or wish the board to comprise, and included:

should the committee only include Muslims or would non-Muslims also allowed?

to what extent should participants have expert knowledge of Sharia or would it be more important to have financial expertise when monitoring a pension fund?

should the committee contain only experts and scholars - or would it be important to include people from a range of backgrounds to gain the views of moderate and more observant Muslims?

"I wouldn't want it to be a really like [a] religious, religious man who's just biased and doesn't think about any other things, I'd like it to be a mixture of people, so maybe somebody with a thinking along the lines of mine and then maybe someone who's got a lot of knowledge on religion and faith but definitely a different board of people, I wouldn't want it to be just a set of Muslims dealing with it who have all got long beards and preach and all that kind of stuff, I'd want it to be a variety of people."

Female, under 30, £5-10.5K, Leeds

"It could be a board with non Muslims as well because... I think I've heard that even 100 per cent Muslim products don't seem to be able to stay for long, because they do need support from others, but the board must have so many percent people with the knowledge, not the investors and things. You can be a Muslim investor but still get it wrong. It's got to be people who... don't have any conflict of interest."

Female, 30-44, £25-35K, Birmingham

In summary

The appeal of Sharia products was mainly the fact that participants could be confident that interest was not involved. How funds were invested was less of a spontaneous concern because participants were not often aware that money in bank accounts or pension funds was being used by the institution in this way. Although most people were not actively looking for Sharia financial products, many felt that the

perceived higher cost of such products was the main barrier to greater usage, although other factors were also mentioned. The next chapter explores which features are most important for Sharia pensions.

6. Prioritising different features of a fund

Introduction

This chapter outlines which features of Sharia might be most important in terms of pensions, and how such features compare to other factors such as cost (Annual Management Charge) and fund performance.

Chapter summary

- A range of top of mind concerns about how pension contributions are invested were cited: a wish to avoid industries deemed to be 'immoral' (although it was not always easy to list out such industries); wider ethical concerns; questions of financial security and performance. There were also some who found it difficult to think of any specific worries they might have, partly because they were unfamiliar with how pensions work.
- When asked to select from a list of potential features for pension investment there was little consensus on which features would be most important. Again some selected wider ethical principles while others chose more specifically Sharia principles, such as avoiding interest and not investing in forbidden industries, whereas a third group insisted it was financial considerations that would ultimately take priority.
- Most participants were willing to pay a slightly higher management charge for a pension with features they felt were important. However, it was nonetheless felt to be very important that the level of the charge was kept as low as possible to make it affordable. Other participants believed they would simply choose the pension with the lowest charge, no matter how it invested funds – conversely some thought they would simply opt out if they were aware that the standard pension went against their beliefs.
- Similarly, some participants would accept a pension that did not offer the best fund performance as long as it did not go against Sharia principles. However, others believed the bottom line was the priority and would opt for the best performing pension fund. There were also participants who believed they would just opt out regardless of the projected performance.
- It was often difficult for participants to prioritise the various features as they felt a number of these were important, depending on their personal priorities, interpretation of Sharia and degree of application of Sharia principles to their lives – as well as the extent to which they felt any pension contributions were affordable to them personally.

Which features will be most important?

This section outlines the types of feature that people felt were important in terms of how pension contributions are invested. Participants were asked for their top of mind thoughts before being asked to comment on a list of potential features (see appendix 4). The range of spontaneous features mentioned reflected the various Sharia and ethical concerns on the prompt list, although financial considerations and questions were also cited spontaneously.

1.1.14 Thoughts on how pension money would be invested: (unprompted)

When asked what their priorities would be for pension contributions invested on their behalf, some participants cited **wider ethical concerns**, such as avoiding investing in weapons/the army, fur factories, companies that employ cheap labour. For some people this type of 'ethical' issue was tied into their Islamic principles.

"I definitely think that it would have some ethical angles to it, and not that I am religious but as a Muslim I think I would sort of look at it from an ethical perspective and from a religious perspective as well."

Male, 30-44, £16-25K, Leeds

"A lot of big companies do back, like they fund wars and stuff like that. So that would be something that I would be interested in looking at. I wouldn't like to have my money invested in that way."

Female, under 30, £5-10.5K, London

However, some did cite spontaneously a wish to avoid supporting companies that **Islam decrees are immoral**, such as alcohol, illegal drugs, Haram food, gambling. Some also focused on not wanting their investments to attract interest. Others said that their money should not be invested in ways that would be against Islam, but found it difficult to spell out what these might be.

"We're not allowed to do alcoholic and other businesses which are not allowed in Islam, we're not allowed to invest in them ... Not allowed to make profit or sell alcohol ... Yeah, or pig meat ... It's against our religion and belief ... That's it, and gambling ... Drugs ... We're not allowed to invest in them."

Female, under 30, £10.5-16K, Leeds

"I haven't got 100 per cent knowledge of what's not Haram [allowed]. The ones, the basic things that we know about is things like gambling, prostitution, where the, I think weapons as well if it's not used properly. Anything that's not Halal in terms of businesses."

Female, 30-44, £25-35K, Birmingham

Others said that **financial concerns** would be of more importance to them, namely projections of how well such a fund would perform or how much interest it would gain (interest viewed positively rather than avoiding it), and whether it was something they would be able to afford, rather than how contributions would be invested. There were also some who prioritised the stability or security of the money they invested, so

wished to invest in appropriate industries or to know more about the reputation of the provider.

"If I spend the money with business, so that the business has a risk 50/50, maybe they have a good business, maybe they have a flop. So the grocery [industry], I think, has a good business. The grocery needs the people. Now grocery businesses they cannot flop."

Male, 30-44, variable income, Leeds

"It's got to be guaranteed ... they have lost money in the USA, it's a credit crunch, so alright, you are left with nothing ... The most important thing is people who contribute all their life, end of the period ... it should be guaranteed by the government."

Female, under 30, £10.5-16K, Leeds

"I believe once you've put your money in you're giving them a free rein to do what they want with your money, so it's none of my concern what they do with their money because once I've given it to them it is their money, it's not mine any more. So what they do with it isn't my concern. I can't stop them from doing these things, so you just have to sit back and wait until they give me my money back."

Female, 45+, £16-25K, Glasgow

Some participants had **little concern** about how pension funds would be invested, believing that it was something they had little control over, therefore in Allah's eyes they could not be held accountable. Those with little prior knowledge of pension schemes did not have any spontaneous thoughts as they were not familiar with what type of investment options there might be. For others, it was too complex a topic and something they had little personal interest in.

"I know that it would be out of my power as to where that money is being invested because ultimately I am just a pawn in a large organisation ... My take on that is that I have no [choice]."

Male, under 30, £10.5-16K, London

"More than likely I would leave it completely to [the provider] and let them do that but if I were to make an enquiry about something it would be about how successful they have been doing this and what kind of things they have done for other pension people."

Female, under 30, £10.5-16K, Leeds

There were also signs that taking part in the interview had impacted on the way participants thought about raising questions about pensions and investments.

"At the moment it is probably not that important because it has never really occurred in my mind as to where the funds are invested, but I would say to you in the future it is something that I probably would look at now."

Female, 30-44, £16-25K, Birmingham

1.1.15 Thoughts on how pension money would be invested (prompted)

After exploring top of mind thoughts on what might be important as to how their pension contributions were invested, participants were shown a list (see appendix 4) and asked which, if any, of these factors might be important to them, and why.

Most participants found it very difficult to prioritise some features over others, and not everybody was able to identify which features were specifically Sharia compliant and which were simply ethical or good practice. Among those who are able to prioritise though, some features emerged as very important when investing pension contributions. Some participants selected the more wider 'ethical' principles as being most important, seeing these as being harmful to more people, something which went against both their Islamic views, and their personal moral code.

"If I had a pot of money to be invested in companies manufacturing arms, I wouldn't do that ...even if they gave me 10 per cent return, not interested. Things like tobacco, not interested. In that way it's an ethical rather than a religious thing."

Male, 45+, £25-35K, Cardiff

"I know I don't eat [pork], my family don't eat it, there's obviously people out there who do eat it and to them it's obviously something that a lot of people eat ... so in that sense it wouldn't really affect me as much. Whereas if they were deceiving people, that would be because, in a way, I am part of it because I am investing in it, for them to deceive people!"

Female, under 30, £16-25K, Birmingham

Others prioritised Sharia principles such as **not receiving interest**, or **not investing in certain industries**.

"I suppose the Muslim part of me says number 1 [interest] but the kind of just as a human being, a lot of the others would bother me to be honest, you know. ..., the very idea of number 9 [weapons] is just [awful]."

Female, 30-44, £25-34K, Leeds

"Receiving interest is a big deal basically, that's it. There's no personal reason but just the fact that in Islam interest is like a really bad thing. And, weapons ...I wouldn't want my money to be used to kill innocent people, that's like my own personal views, [but] it's part [of] Islam as well."

Female, under 30, £5-10.5K, London

A small number also believed that no matter what people say about the value of their principles, they will make decisions based on the **financial impact** of the investment.

"People [to] whom you may speak, right, they will tell you differently, OK? But when it comes to putting their money where it's going to benefit them, I don't think any of these things are any consideration,

whether they're Muslims or whatever. It's more about what it's in it for them."

Male, 45+, £25-35K, Leeds

The table below summarises the thoughts of participants on each of the features presented to them.

Table 1 : Possible features of pension fund investments

<p>Weapons</p> <p>A big concern, one that people tended to explain by personal reasons, although also not allowed under Islam or due to the type of war the UK is currently involved in.</p> <p><i>"Weapons I'm very antiviolence, war, nothing to do with being a Muslim just it's something I wouldn't invest in regardless of being a Muslim"</i></p> <p style="text-align: right;">Asian female, 45+, £10.5-16K, Glasgow</p> <p><i>"Weapons, mass destruction that are happening all over the world ... especially nowadays with the amount of Muslims that are killed and the way that we are perceived"</i></p> <p style="text-align: right;">Asian male, 30-44, £10.5-16K, Glasgow</p>
<p>Pornography</p> <p>Over half of participants felt it was not acceptable to invest in pornography, some out of religious, others for personal views of the industry as "disgusting".</p> <p>Games of chance, like casinos and poker</p> <p>Over half selected this as an area they would not wish to invest in, citing religious or ethical beliefs against such businesses.</p>
<p>Ban on uncertainty or speculation: everybody involved in a financial transaction must be adequately informed and not deceived or given the wrong impression</p> <p>Selected by over half of participants, although more often out of personal beliefs although some also cited Islamic principles.</p>
<p>Alcohol</p> <p>Important to over half that their money not be invested in the alcohol industry as stated in the Qur'an. A few drank themselves, or felt they only needed to worry about their own actions in this regard.</p> <p><i>"But again, [even] if we're not drinking it, people are always going to drink alcohol." F"</i></p> <p style="text-align: right;">Asian male, 45+, £25-35K, Leeds</p>
<p>Paying or receiving interest</p> <p>Selected by around half as something forbidden by Islam – although mentioned often as spontaneous feature. However others simply not bothered as it is seen as an inevitable part of life nowadays. A small number selected this as something desirable because they want a good return.</p>
<p>Certain foods, for example, pork products</p> <p>Around half very clear that this is not allowed under Islam (for some this was the most important concern) but others limited avoidance of pork to themselves (a small number even ate pork) and said that this was not a priority as they accepted that others eat pork. Haram meat was less contentious than pork specifically, as an industry to invest in.</p> <p><i>"I wouldn't want any of my money going towards anything to do with pig[s]"</i></p> <p style="text-align: right;">Asian male, 30-44, £10.5-16K, Glasgow</p> <p><i>"They are about human teachings of abstinence really so as long as it is not me drinking the alcohol or eating the pork, it is not something that would necessarily make me think twice to be honest."</i></p> <p style="text-align: right;">Asian female, 30-44, £25-35K, Leeds</p>

Activities which contribute to climate change/ cause pollution

Between a quarter and a third felt it was important not to invest in companies that cause pollution/climate change or that it was important to invest in green technologies and it seemed particularly resonant for those with children.

Tobacco

Some stated that as something that harms the body tobacco is not allowed under Islam, while others felt that it is not an illegal drug, so is allowed. Those who disliked smoke were more likely to select it as something to avoid, whilst smokers said that even though it was not allowed under Islam, they could not choose something they practiced themselves.

"Tobacco is harming the body and I think it's vile so as I come from a health background I won't support that"

Middle Eastern male, 30-44, £16-25K, Leeds

Companies which have fair employment practices

This was not a very salient issue for participants and was selected by few. Those who did select it, did so on an ethical basis although a small number also made reference to Islam

"There's a standard like porn, alcohol and weapons and stuff like that but then there's also what's morally correct as well. Most of these things, like fair employment [practices], that's all part of Islam [too]."

Malaysian female, under 30, £5-10.5K, London

Risk sharing – so not just one person (either the person whose money is being invested or the one looking after the money) could potentially lose out or gain

Very few selected this factor as important but those who did regarded it as a positive feature, something that would limit their own exposure to loss and so very desirable.

Only selling owned assets, i.e. not making money out of things which you don't own

One of the less contentious issues, selected by very few as being positive or negative.

Sustainable farming

Not generally an important issue, selected rarely and reasons for choosing it were personal or broader ethical.

1.1.16 Ethical rather than a purely Sharia pension?

While for the majority of participants Sharia considerations or their personal financial situation were of ultimate importance, some indicated potential interest in an ethical fund that might reflect some but by no means all Sharia principles rather than one purely aimed at Sharia issues. For example, those who felt strongly about not receiving interest would not have their concerns addressed with an ethical fund. However, a range of reasons were cited for why some participants might be interested in an ethical pension:

- The perceived best option available currently (as they were unaware of any purely Sharia pensions).

"I think I would probably do a bit of research on the internet, see if there are any organisations available out there that could speak to me about a pension, which will be not Sharia compliant but more geared towards, you know, the Halal way of having a pension. What would be acceptable"

Female, 30-44, £16-25K, Birmingham

- An ethical pension met the criteria most important to them as a Muslim, related to being a good person generally, as discussed in chapter 4.

“Interviewer: Why is it ethical is more important to you than a Sharia pension?”

Respondent: I don't need to support Muslim people as much as poor people that are non Muslims as well.”

Male, 30-44, £16-25K, Leeds

- Prioritising avoiding investing in perceived morally questionable industries such as weapons or pornography, over their reluctance as an individual to support the pork or alcohol industries or to benefit from acquiring interest.

“The reason I am particularly not bothered about the Sharia one, because of the alcohol, pornography and stuff like that is because these elements, although they are forbidden in Islam, in my religion, they are not forbidden in England or the UK therefore you have more personal responsibility. That is why I wouldn't bother if my money was invested in these but with weapons and money I guess I feel personally we each have our own responsibility towards these.”

Female, under 30, £10.5-16K, Leeds

- The belief that a fund that took into account both ethical and Sharia principles might help to reduce the potentially higher cost of administering such schemes, by attracting a greater number of overall members than separate pension schemes would.

The high-earners who took part in the discussion groups were less positive about an ethical fund than a Sharia compliant one, with most claiming that it would be their second choice. It is possible that the reason for this is related to cost; people in these groups were higher-earners and therefore could more easily afford a more expensive Sharia compliant product.

Impact of cost on decision to take up Sharia compliant pension

Cost³³ was identified spontaneously by a number of participants as both a reason but not the main reason) why they had not made very much provision for their retirement, and as something that would be important in their decision whether or not to take up or opt out of an employer pension. Once participants had considered a prompt list of possible features that would be important regarding investment of pension contributions, we asked how important the level of Annual Management Charge (AMC) would be compared to their selected features³⁴.

It should be remembered however that participants were speaking here in the context of having had a fairly detailed discussion about pensions and Sharia

³³ At the earlier stages of the interview, participants tended not to differentiate between different aspects of cost. It is believed that many were thinking of the cost of making contributions to a pension scheme as they did not generally know enough about pension schemes to be aware of factors such as annual management charges (AMC).

³⁴ Note that, at the time of writing, the agreed charge for NEST will be a combination charge, not an annual management charge

principles with an interviewer and that their thoughts on AMCs may have been somewhat different if they had not taken part in the interview. There is also the fact that participants were dealing with a lot of unfamiliar information and did not have the opportunity to reflect or discuss their hypothetical decision with people they might usually turn to. Finally, there may also be an element of socially acceptable responses i.e. not wanting to admit to prioritising the financial return above their religious/personal principles. Thus, when the scheme is actually introduced behaviour may be somewhat different from that discussed in the interview.

It should also be remembered that a number of participants had not known and/or thought about pensions in advance of the interview. They were therefore often speaking in the context of “if” and of the fact that they would have to see how the figures worked out before making a decision. Again, there was acknowledgement that if the issues around Sharia principles and pensions had not been raised to them, they might have said they would take a different course of action.

The majority of participants would choose **to pay a (slightly³⁵) higher AMC** for a pension with features they supported, rather than a slightly lower AMC for a pension that might invest in a way their principles did not agree with. This is not to say that a low AMC was not important, it was very important, particularly given the salary band of participants. However, they did not feel that they would be able to continue paying into a pension that they knew ran against their principles. Reasons given for accepting a slightly higher than standard AMC included:

- inability to compromise the principles of their religion or personal values
- no experience of paying a lower AMC so they will not feel they are losing out financially
- a sense that it is easier to accept higher charges when they are gradually deducted as an AMC - than a higher one off charge such as for Sharia insurance or a Sharia mortgage, where the deposit tends to be higher
- the perception that paying a higher AMC to comply with Sharia will help balance out for times when they have not behaved in a Sharia fashion
- not envisaging the pension as their only source of retirement income – so they feel more able to accept a higher AMC as it will only apply to a portion of their investment
- some reluctant acceptance that adhering to principles usually costs more (analogies with organic milk, for example, and the need to pay a premium for products with requirements)
- willing to pay a higher AMC but would want reassurance that investments were being made wisely (i.e. concerns about the security of their funds).

³⁵ Where participant comprehension allowed, interviewers explained how a slightly higher AMC could actually have quite an impact on the amount left in the fund (see Discussion guides, Appendix 4) although participant understanding of the impact of these figures was fairly negligible.

"Well if that's the price you have to pay to comply with your religion, then I guess that's what you have to do... I don't think I have much of a choice really."

Male, under 30, £16-25K, Birmingham

"If I could wake up to receive my pension with 7 per cent less knowing that my contribution had been right in terms of Islamic and Sharia law I'd be quite happy. I think that's a fair price."

Male, 30-44, £16-25K, Birmingham

Where comprehension of detail allowed, participants were then asked about the impact of various levels of AMC on their thoughts about the features that would be important to them – and their decision on whether or not they would remain in or opt out of such a pension. Participants tended to be willing to pay a little more for a pension that complied with their principles but would be unwilling to pay a lot more. However, it is not possible to put a figure on what an acceptable AMC would be because the concepts are so difficult for people to grasp.

"It depends on how much, if it was just a small difference I would probably go ahead with Sharia but, if it was a big amount then I would go with the standard ... 10 per cent is too much."

Female, under 30, £16-25K, Cardiff

"It really does depend how much more. I mean I probably would go for that if I knew they were not investing in things like that.... Not cheap but relatively along the lines, what everybody else is offering as well in the market, not double the price because I'm sure there's other ways round it."

Female, under 30, £5-10.5K, Leeds

Others were also unwilling to invest in a pension scheme that did not adhere to their beliefs but felt that they would simply just **opt out of the scheme**, rather than pay a higher AMC for a more principled pension. Reasons for this were:

- that participants believed they had more immediate financial issues to address – this was supported by some participants' previous behaviour in not signing up to pensions offered by employers
- that they would prefer to invest what money they did have in another way, such as investment in a business or property, which offered perceived medium and long term financial benefits.

"Saving towards starting my own car wash business is] something that I'm doing and that's for me that I want to do, so one day I can say 'yes, I've got my own little business' so I'd rather invest in that than invest in something else that I don't even know where my money's going to."

Male, under 30, £5-10.5K, London

"I would have to weigh up how much it is going to physically cost me per month and whether that money could be best served elsewhere"

in terms of, you know, other properties, buying something that I knew would hold its value with."

Female, 30-44, £25-34K, Leeds

A further, smaller, group said they would be **willing to remain in a standard pension which charged a lower AMC** (than pay a higher AMC for one with certain features). This tended to be what they felt other Muslims would generally do, except for those who were very practicing. This was because:

- a pension's return is the bottom line
- the potential for their priorities to shift as they got older and (hopefully) salaries would then have increased or religion have become more important
- a greater sense of confidence in an established pension provider (rather than any perceived 'newer' Islamic provider) which was important in terms of relative security of their funds.
- fund security was also important for some participants who prioritised perceived cost related features such as 'risk-sharing' above AMC (but not any other features) in a bid to protect their return.

More religious participants tended not to be part of this group; they would either be willing to pay a higher AMC or would opt out of the scheme. Amongst the higher earners in the discussion groups, views were broadly similar. Despite the fact that these people were likely to be able to afford a more expensive product, they had similar thoughts regarding weighing up the higher AMC with the benefits of having a Sharia compliant fund. Most said they would prefer the Sharia compliant option, but would not be willing to pay significantly more for it.

"It depends what the differences are. If I put £100 in and I am going to get £120 from one [pension fund] and £50 from another then obviously that is going to have a huge impact on my decision. However, if I am going to get £120 from one and £110 from the other - that would be different."

Female, London high-earners discussion group

Impact of performance on decision to take up Sharia compliant pension

There was a similar divergence of views regarding the importance of fund performance compared to their desired features of a pension fund as there had been about AMCs. Once again, similar caveats apply regarding the fact that the interview was not a natural setting for participants, the fact that they were digesting a lot of new and complex information and that they may not feel comfortable giving some types of answer.

Some valued **abiding by Sharia principles** over the performance of a pension fund for similar reasons as agreeing to a higher AMC, namely because:

- they did not wish to go against Islam's teachings/their own principles, depending on the features selected

- a lower performance was viewed as an acceptable price for living by Islamic principles
- there was some acceptance of the fact that ethical or charitable concerns are unlikely to perform as well as others – and that as long as people were aware when they signed up that the forecast would be a little lower than this was satisfactory
- they believed performance was a low priority because they had not understood, prior to the interview, that money they contributed into a pension fund would be invested at all
- for some, the performance of a pension fund was less vital because they believed they would invest in other ways too to provide for retirement.

"What that is effectively saying is that would it bother you that your performance did not rate as effectively as this one? Well, no it wouldn't because I have chosen to go with that package so I know the pros and cons before I sign on the dotted line... When I sign on the dotted line I want to know how that money is managed and if that underperforms because they invest in more cleaner products, then that is something that I need to plan for."

Female, 30-44, £25-34K, Leeds

"But [for] a true Muslim, compliance with Sharia is more important than the performance, because at the end of the day, the provider is Allah, not the business. The business is only a small [factor]."

Female, under 30, £10.5-16K, Leeds

However, as with AMCs, for others the **'bottom line' of the fund was most important** – so they would be likely to opt for a better performing standard pension scheme. Again, this was a difficult call for participants to make as they generally prioritised Sharia principles but felt that a decent rate of performance was important or there was no value in taking out a pension. For a few, whether it was a portion or the entire fund which was invested in non-Sharia ways would make a difference to their decision whether or not to opt out.

"From the people I know, I would say the majority would look at the money before Sharia compliant. They would compare them both and if they were going to get more money from the normal one then that is the one they would choose."

Female, under 30, £16-25K, Cardiff

"I don't know, it depends how [financially] desperate I was."

Female, under 30, £5-10.5K, Leeds

"If they offered me a pension scheme with a good return but maybe [only] one or two of these products were part of it [a non-Sharia investment] it's something that I could look into."

Female, 45+, £10.5-16K, Glasgow

There were also some who found it **impossible to choose**, believing that Sharia principles and return on investment were equally important. And, as with AMC, there were also some participants who would choose to **invest in other** ways than a pension, whatever the performance predicted, because they believed there were other ways to invest money which were likely to perform even better. And, once again, more religious participants were unlikely to prioritise performance over other factors – being likely to choose a lesser performing Sharia fund or to opt out.

The high-earners in the discussion groups tended to lean more towards being Sharia compliant than choosing a fund with a good rate of performance; this might be linked to the fact that they were more financially secure than those in the target audience. However they still acknowledged the risk involved in investing in a fund which may not yield financial reward.

"It is a huge leap of faith, yes ... you know, you've got to believe actually that it is going to do you some good later on, and that is the Muslim belief ... it's as much a kind of a faith thing as it is a kind of financial decision, you know?"

Male, Stockport high-earners discussion group

Next steps

Participants generally responded positively to the interview process, saying they had found out a lot of useful information and had lots of points to think about. For some, the interview had acted as a 'reality check', encouraging them to investigate what pension options are available to them. Some wished to look into taking out a pension immediately, whereas for others it was more about being aware of what other pension options there might be if they did not wish to remain in their employer's scheme in 2012. Those who had given little thought previously to retirement generally believed that it had provided them with something to think about for 'when the time is right' (i.e. not yet).

"Yes, I think this has definitely been the push that I need to speak to my employer regarding the pension and maybe to look if there's any external pension schemes that you can pay into that maybe are not part of your employment because I am sure you can just join any pension scheme and then maybe look for one that does have Sharia compliance."

Female, 30-44, £16-25K, Leeds

"I had no idea before, now I feel I have a bit of an idea what it is about. I didn't know anything about it now I feel it is something worth considering... It is not something for old people either. I have learnt quite a bit."

Female, under 30, £10.5-16K, Leeds

"One day if I'm in a higher position then probably I would take more of a look into it but a pension scheme is not affecting me right now and I've got no savings or anything so nothing really affects me to tell you the truth at the moment."

Male, under 30, £5-10.5K, London

For others, it raised questions about financial products and how money is invested that they had not considered previously – for some this was received positively but others questioned if it might not be preferable not to know the details of pension schemes as this puts the onus on the individual to “do what’s right”, rather than what might make more financial sense for themselves.

"I think the fact that I know that there is going to be a pension reform in 2012 would make me consider now looking at what is available out there for me to make an informed decision so that when it comes to my employer automatically opting me in I will be able to make an informed decision as to yes and no... I want to go back and look at my mortgage and see where, even though it is a mutual and it sounds really good and the things that I read then, it does concern me that there are areas that money can be invested in without you having any say, no knowing."

Female, 30-44, £25-34K, Leeds

Sources participants cited at the end of the interviews as possible places to turn to for further information on financial products, pension and retirement were similar to those mentioned previously. Who they would turn to would depend on the query but commonly include personal contacts, friends and family; the internet and media stories more widely; and colleagues, employer and work personnel. As mentioned previously, a few mentioned possibly approaching an Imam or their Mosque, but there was little evidence of this currently happening; one participant did not believe the Mosque would have useful information on such matters. Banks and pension providers were also mentioned at this stage of the interview as potential sources of information, with one person even saying they would go to the Pensions Regulator to find out more.

In summary

This chapter has demonstrated that a range of ethical, Sharia and financial concerns are apparent when participants are asked to think about how pension contributions might be invested. Which features were prioritised depended on participants' individual priorities, interpretation of Sharia and degree of application of Sharia in their lives – as well as how affordable they felt pension contributions would be for them personally. Some Muslims in the target audience were willing to pay a higher management charge or accept a fund which performed less successfully in return for the fund observing principles that were important to them. However, the financial ‘bottom line’ was more important for others who would select the most affordable option; while a further group said they would be unlikely to invest in a pension whatever fund was offered.

7. Conclusions

Attitudes towards retirement, savings and pensions

The concept of retirement was not top of mind for most participants; they had not given much thought to what they might do at this point of their lives, or at what age they might retire. As a result of this, little consideration had been given to planning financially for retirement. Many lived on a month to month basis financially and focused on covering the essentials for this current stage of life, rather than putting money aside for their future.

Across all age groups was the expectation that children would take responsibility, if needed, for supporting their parents financially during retirement. To this end, it was important to invest in children's education, to ensure that they have the means to support their parents in future.

Property investment emerged as the preferred way to provide income in retirement. It was regarded as a traditional means of investment in Muslim communities and an attractive visual, material investment that could be passed down the generations.

Pensions, by contrast, were rarely considered or discussed and knowledge of how they operated was low. They were generally regarded quite simply as a 'savings pot' and few people were aware of, or knew of details such as possible employer contributions, investment of funds and the potential risks involved in investing in a pension fund.

Most said they would opt out were they automatically enrolled in a pension scheme. Concern about funds potentially being invested in non-Sharia ways was not top of mind for many people (though worried more people when prompted) and was therefore not a key reason for opting out. Instead, this would most likely be a result of difficult financial circumstances which would make pension contributions unaffordable. Some people were more open to the idea of automatic enrolment, but said they would have questions about what would happen if they changed employer or wanted to stop making payments down the line. A few welcomed the idea of employer contributions and a scheme set up automatically, and said they would stay enrolled in this case.

Religion and everyday life

Islam was described as a peaceful religion which focused on kindness, goodness, patience and doing to others only what you would want done to yourself. For some it was very personal, and an internal part of who they were; this meant that behaving in a 'Muslim' way was simply second nature.

Sharia was a familiar term, and participants were able to give a basic description of what it entailed. The primary principles mentioned included forbidding pork products, alcohol, drugs which alter the mind, modest dress, head coverings, and regular prayer. However, links between Sharia and finance were mentioned by very few spontaneously.

Participants generally applied Sharia to their everyday life in a pragmatic way. It is not always possible to follow the law to the letter, particularly in a western country, and so participants made their own choices about how to make Sharia fit their lifestyle. There was a wide range of compliance with Sharia principles, from some people who rarely adhered to its principles to others who did everything possible to comply, even if it meant financial and other sacrifices needed to be made.

However, most felt it was important to do the best they could to be 'a good Muslim', and they did not feel that Muslims judged each other over how closely they followed Sharia.

Understanding demand

Participants' understanding of how Sharia applies to finances focused mainly on not paying or receiving interest, but also encompassed not investing in forbidden companies, paying Zakat, not taking out some types of insurance, and generally living and spending modestly.

People were drawn to Sharia financial products because they were seen as being aimed specifically at them as Muslims, and because they would negate the need to worry about paying or receiving interest or, mentioned less commonly, investing in forbidden industries. Despite this, few people were actively looking for such products, and many had not considered them as an option. Muslims in the target audience for NEST with concerns about being financially Sharia compliant, the minority in the sample, tended to tailor mainstream financial products to fit their beliefs rather than seeking out formally Sharia products.

There was a strong perception that these Sharia products cost more than the average financial product. Other concerns included longer set up times and the low number of Sharia institution branches. Some worried that introducing separate financial products for Muslims could lead to other aspects of Islam in the UK which they did not agree with. Others were cynical about how Sharia products varied from the mainstream, and the financial capability of Sharia institutions.

The likelihood of opting out of automatic enrolment was primarily due to financial constraints, as opposed to concerns about non-Sharia compliant investments, often because participants were not aware that pension funds were invested. However, if they knew that their money was being invested in forbidden industries, and/or there was a Sharia option available, this would be a catalyst to opt out for a number of people. There were some who would not opt out despite having this knowledge – this could be due to the belief that their business was with the pension provider alone, and so the way in which their contributions were then used was not their responsibility, because they did not see a need for a Sharia pension fund or they did not want to lose out on the opportunity to have a pension, and employer contributions in particular.

Remaining enrolled in a Sharia compliant pension would be acceptable to most, as long as the cost and performance were comparable to similar mainstream funds, though most do accept that a Sharia product would be likely to cost slightly more.

Prioritising different features of a fund

Top of mind concerns about how pension contributions might be invested included a wish to avoid industries deemed to be 'immoral', although people struggled to specify examples, wider ethical concerns and questions of financial security and performance.

When presented with a list of potential features for pension investment there was little consensus on which would be most important and people found it difficult to distinguish between Sharia features, and more general ethical or 'good practice' features. Some were keen for their investments to be more widely 'ethical' whilst others focused more on being true to different Sharia principles, such as avoiding interest and not investing in forbidden industries. A smaller third group prioritised financial considerations.

Participants struggled to prioritise the various features as they often felt strongly about a number of them, depending on their personal priorities, interpretation of Sharia and the degree to which Sharia impacted on their lives.

Most participants would be willing to pay a slightly higher management charge for a pension with features they felt were important, but the cost difference would have to be minimal to ensure the fund remained an affordable investment. Others believed they would choose the pension with the lowest charge, no matter how it invested funds – those who felt strongly about where funds were invested would rather opt out than remain enrolled in a pension that went against their beliefs.

Similarly, some participants said they would rather have a Sharia compliant pension fund than a standard one which performed better over the years. Again, others prioritised the 'bottom line' and would opt for the best performing fund, whilst some believed they would opt out regardless of the projected performance. More religious participants tended to choose the Sharia fund despite its higher management charge or lower performance, or to say they would opt out, rather than to prioritise their financial position.

Appendix 1:

Approach and methodological details

1.1 Why depth interviews?

Depth interviews were regarded as the most suitable methodology for the potentially sensitive and complex research topics under discussion – namely, financial planning, comprehension of the concept of pensions, interpretation and application of Sharia practices, and understanding of the concept of automatic enrolment. This approach would also enable us to use an interpreter fairly easily if necessary. We included some paired interviews as well for situations where an individual said that at least some of their financial decisions were made in conjunction with another person, for example parent, partner. We felt that holding such interviews as pairs was more likely to reflect what is likely to happen when NEST is introduced than just conducting these as depth interviews. In addition, we felt it would offer the chance to see how views differ and for paired depth participants to respond to each other's thoughts. Interviewers were briefed on how to limit a stronger personality from dominating the interview, so we could capture views of both parties, but some degree of domination was still accepted as likely.

Depth interviews were also felt to be the best approach for researching community and faith leaders as this would allow us to respond to different approaches leaders might adopt. It also allowed us to speak to leaders in different parts of the country more easily and made it easier to arrange appointments with them and deal with any language issues. Discussion groups were thought to be more appropriate for the higher income earners as they did not belong to PADA's target audience so we did not wish to explore their views and experiences in as much detail. We wished to include these higher earners however to discuss their experiences of using Sharia financial products and what had motivated them to choose a Sharia version.

1.2 Recruitment information

In order to recruit Muslims from a range of backgrounds within the target audience, we set quotas on the following factors:

Gender – a roughly even mix of men and women

Age – under 30s, 30-44s and 45–State Pension age

Ethnicity – Asian, African, Middle Eastern and other Muslims

Generation –first and second/subsequent generations

Sunni/Shia

Employment hours – those working under 15 hours per week, 15-29 hours per week and 30+ hours per week

Employer size – self employed, and different employer sizes ranging from less than 10 people employed to over 50

Income – salaries from £5,000 -£10,499, £10,500-15,999, £16,000-£24,999, £25,000-£35,000

Knowledge of Sharia (self-defined) – A great deal, a fair amount, not very much, very little

Table 2 below illustrates the numbers achieved.

Table 2 : Achieved quotas (total of 37 achieved)

Quota	Achieved
Gender	Male – 19 Female – 18
Age	Under 30 – 16 30-44 - 14 45 – SPA - 7
Ethnicity	Asian – 26 African - 8 Middle Eastern - 2 Malaysian - 1
Generation	First – 15 Second + - 22
Sunni/Shia	Sunni – 35 Shia – 2
Employment hours	Under 15 – 4 16-29 - 7 30+ - 26
Employer size	Under 10 – 3 10-49 - 17 50+ - 14 Self-employed - 3
Income ³⁶	£5-10.5K -10 £10.5-16K - 10 £16-25K - 10 £25-35K - 6 Variable - 1
Knowledge of Sharia	A great deal – 8 A fair amount - 16 Not very much - 7 Very little - 6

³⁶ More interviews were conducted with those at the lower end of the income spectrum, because recent research (Ipsos MORI Individual Attitudes Survey, 2007) found that 40 per cent of the target market for NEST earn less than £15,000 per year.

Table 3 below shows the regional breakdown achieved.

Table 3: Interview breakdown by region

Region	Achieved
London	6 depth interviews 2 paired interviews 2 faith/community leaders 1 group with high earners
Birmingham	10 depth interviews 3 faith/community leaders
Leeds	7 depth interviews 5 paired interviews
Glasgow	2 depth interviews 2 paired interviews
Cardiff	3 depth interviews 1 faith/community leader
Stockport	1 group with high earners

No quotas were set on the six leaders – they simply had to be either faith leaders such as Imams/ Maulvis/ Maulanas of local Mosques or community leaders who were respected in the local community and had strong networks in the wider Muslim community.

Across the two mini-groups, again there were loose quotas set on gender and age. In addition, participants had to:

- be earning a high wage: £50K+ in London, and £35K+ in Stockport
- have a Sharia compliant financial product of some description.

1.3 The pilot

Of this fieldwork, two individuals, two pairs and two community leaders were interviewed as part of a pilot phase in order to test the discussion guides to ensure their suitability for the project. Following this, some minor changes were made to the materials before the main stage of the project began.

1.4 Recruitment

A variety of methods was used to find potential participants. Primarily, participants were approached face to face on the street, with recruiters working in areas with a higher than average Muslim population. They focused their attentions on areas in close proximity to Mosques, Muslim community centres and Muslim focused facilities such as Halal butchers and Sharia compliant banks. In some cases, Muslim community centres assisted, by asking their members and attendees to take part; in these instances, interviewers based themselves in the community centre and conducted several interviews over the course of the day. Towards the end of fieldwork, a ‘snowballing’ approach was used to mop up the final few interviews, with recruiters using personal contacts to track down suitable participants.

The recruitment process presented some challenges, namely in relation to some of the quotas. The key difficulties were:

- recruiting Muslims from a non-Asian background. Recruiters found that Muslims with Pakistani or Bangladeshi heritage were far greater in number in the selected areas than those from African countries, or the Middle East; and that it was easier to find Asian Muslims, who tended to live in more defined communities
- recruiting Shia Muslims. The Sunni branch of Islam is far larger, with at least 96 per cent of Muslims in Britain falling under this category, and just 2 per cent being Shia³⁷
- recruiting pairs. Recruiters found it challenging to convince both parties to take part, and find a suitable interview time that worked for both participants
- recruiting older people. They appeared to be less open to discussing financial issues outside of the family arena
- excluding people who had pensions. A minority found it difficult to remember if they had ever contributed to a pension in any of their previous jobs. There were some instances where participants only recalled this part way through the interview in which case we endeavoured to replace that interview if we felt the participant was outside the target audience³⁸
- impending period of Purdah – the General Election was due to be called around the same time as fieldwork for the project and it was important to complete the interviews before it was announced or it could be seen to have a potential impact on the way people voted.

1.5 Conducting the interviews

The interviews were conducted at locations where participants felt at ease; usually this was in their own home, but interviews were also conducted at community centres and in public places such as cafés.

Participants responded well to questions on the whole, despite the fact that the topic areas might be considered sensitive and fairly complicated. Interviewers noted that whilst many people claimed that personal finances and savings were not commonly discussed amongst the Muslim community, participants were generally open and honest about the subject, and reported no problems with regard to the nature of questions being asked. On the whole they were positive about the experience of taking part in the interview, the information they had learned and the chance to talk over these types of issues which they did not often think about.

Language was an issue for some of the interviews. We found that, while participants might appear to have a decent standard of English in day to day conversation, the complex topics under discussion, particularly the finance-related sections, and lack

³⁷ <http://guide.muslimsinbritain.org/guide3.html#3.3.1>

³⁸ In a few cases, respondents took part who had had a pension in the past but knew little about it, or did not have it in this country. Their responses were, after discussions with PADA, considered to be eligible.

of participant familiarity with the pension system meant that it could be quite challenging to get concepts across and to understand precisely what participants wanted to say. Where relevant, participants had been offered the option of using an interpreter at recruitment but nobody took up this offer. Stimulus materials were used, where appropriate, to help talk participants through points but a degree of re-iterating and simplifying information was still required. Indeed, in some instances it was not purely a language issue, but a lack of comprehension of the pensions system in the UK which together created difficulties.

The discussion guide was one and a half hours in length – this was necessary in order to cover the required points, but was nonetheless relatively long. Feedback to the discussions was generally positive though, with participants commenting that it had ‘not felt’ as long an interview as it actually had been. Despite this, some participants had flagged somewhat by the closing sections, as they tried to recall the various pieces of information that had been mentioned, and implications for other questions – moderators did all they could to keep the pace up and conversation lively.

Some of the paired interviews were arguably less successful, for a number of reasons. Whilst those conducted with a husband and wife worked fairly well interviews conducted with a parent and child were often dominated by the parent; this was particularly the case when the interviewees were father and daughter. There were also challenges where one of the pair was not fluent in English (they tended to leave it to the other person to respond or speak for them) or where one of the pair was better versed in financial knowledge (the less knowledgeable person often deferred to their viewpoint). The latter was particularly the case where it was a man (son or husband) who was fluent or more knowledgeable while the woman (mother or wife) was not. However, it is likely that the power balance demonstrated in such interviews reflects the level of persuasion (or lack thereof) one participant might have over the other’s financial decisions.

Appendix 2:

Financial decision making

2.1 Sources of information and advice on financial issues

Participants were asked about their approach to money and money management, and most were unified in their view that these were not issues that most Muslims would discuss openly – they are things that might be talked within the family or a close network of family or friends, but on the whole, it is a relatively private area. This appeared to be the case regardless of the financial issue at hand – be that banking, car insurance, which mobile phone contract to get or, as discussed previously, pensions.

Muslims said that they tended to make decisions independently or within the family, and would rarely consult more widely than within a trusted social circle.

"If I can, I do it myself, if not I've got colleagues and I'll say to somebody 'Will you get on the internet and find me something?' So I do ask people, family, when I'm looking ... I always hassle people as well. Where do you get yours? And if theirs is better I'll try and look at that option as well, find that company and say, will you do this?"

Female, 30-44, £25-35K, Birmingham

Most of the married men who took part in the depth interviews claimed that they tended to discuss important financial issues with their wives and came to a joint decision, although their own views were likely to have more weight if there was dissent.

"I am a good decision maker because I will always do calculation before I am taking anything like a mobile phone, I have to think before - can I afford that? Or I can't afford that? Then I get very much support from my missus as well."

Male, 30-44, £10.5-16K London

Interviewers who conducted paired interviews with husbands and wives observed that the men did appear to take the lead in financial decisions; they certainly had stronger views on these issues and their wives seemed to be happy, on the whole, to agree with these.

Some people claimed to have spoken to financial professionals for advice, but in almost every case they had some sort of connection to the person they mentioned – i.e. they were a friend or relative of theirs or someone they knew, rather than simply their local bank manager. As discussed previously in relation to pensions specifically, there was little evidence of people going to faith/community leaders for advice on financial matters.

2.2 Finding the best deal

Although Muslims clearly relied heavily on recommendations from their friends and family in helping them with financial decisions, there was also certainly evidence to suggest they were, like many others in the UK, increasingly reliant on the internet, particularly online comparison sites. These were used for a range of things such as house, contents and car insurance and mobile phone contracts, and were spontaneously mentioned by many people as good sources of advice. The fact that these kind of websites allow people to compare and contrast deals without having to divulge personal details to someone face-to-face is clearly linked to the aforementioned preference to keep things as private as possible.

"I would probably go on the internet and use stuff like gocompare.com, confused.com and see if I can get a cheaper deal. Obviously they are not always accurate because there is always additional benefits that you need so, but that would be my first port of call."

Female, 30-44, £16-25K, Birmingham

"I'd go on the Internet, try and find the best quote possible. Perhaps even ring the company themselves and say, look, what's the best deal you can give me at this time."

Male, under 30, £16-25K, Birmingham

Appendix 3:

Greater detail on perceptions of Sharia financial products

Mortgages

These were widely mentioned as an example of a Sharia financial product, although levels of understanding about how they work varied. Some knew only that traditional mortgages involved interest, but not how Sharia mortgages avoided this; others perceived that a Sharia mortgage involved individuals 'renting' the house back from the bank. A number were aware of others who have held a Sharia mortgage tended to reassure participants of their viability - although where acquaintances had transferred away from their Sharia mortgage, this also encouraged questions about the value and/or cost of such products.

Some participants were pragmatic about the need to take out standard mortgages, believing that Sharia principles should be applied flexibly in a non-Muslim country, but others disagreed with this view.

"There is a fatwa which is scholars in UK, they are saying that if there is a necessity, you can take a mortgage, but when it comes to the day of judgement, the scholar will not be charged. You will be charged yourself. God will ask you, why you do this. You can't say it's because the scholar said it is allowed."

Female, 45+, £10.5-16K, Leeds

The most common reason for not using a Sharia mortgage or believing they would be unlikely to do so in the future was the (perceived) higher cost. This perception of costs was cited by those who had investigated taking one out as well as more generally. Among participants who had looked into a Sharia mortgage the larger deposit, shorter repayments timeframe or longer initial set up time had made them favour a standard mortgage instead.

"I actually made an enquiry from HSBC around the Islamic mortgage, but they told me it isn't an Islamic mortgage because there is still interest etc [and] it was really expensive."

Male, 30-44, £16-25K, Leeds

Others classed Sharia mortgages simply as a "rebranding" exercise, saying 'interest' was being marketed as 'rent' to make it acceptable to Muslims. This view was voiced by some of those who did not apply Sharia financial principles strictly, as well as some who did. Others were sceptical about the lack of security provided by smaller, relatively new financial institutions, as well as the belief that standard mortgages were allowed as long as the interest was charged at a variable rate.

Bank accounts

Not wishing to accrue interest was generally the reason why some Muslims might make enquires about Sharia bank accounts. However, there was acknowledgement that a Sharia account came at a price, which participants could ill afford (currently, at least).

"Nowadays there are like Islamic banks that you can open that don't give interest, but then they do charge fees like you have to pay in monthly because obviously interest is how a bank runs... I think once I'm earning it would be all right... now I'm not, I can't be paying to have a bank account."

Female, under 30, £5-10.5K, London

Ease of access was also important for a bank account. Some friends or family had considered or taken out an account with a Sharia institution, only to change to a high street bank account because the number of its branches across the UK meant it was much easier to access.

Instead of taking out formal Sharia bank accounts, participants tended to have tailored standard bank accounts in one of the following ways to avoid interest - although there were also some who did not take any action with regard to interest their account accrued:

- Paying any interest they received to charity
- Asking that their account not accrue interest
- Asking for their money to be invested in shares so they could attract 'profit'.

Only one participant had a formal Sharia bank account, and they set up the account linked to an (expired) Salaam car insurance policy. Two others were in the process of considering a Sharia bank account, one with an Islamic Bank, one with the Sharia arm of a standard bank. So it appears for some Muslims such products are very attractive - although there were also some for whom Sharia principles were very important but they were satisfied with a standard, tailored bank account.

Insurance

Only a few mentioned being aware of Sharia insurance products, usually in relation to getting quotes for car insurance, although some were also aware through their work in this field. Salaam insurance was the main name mentioned, along with Takaful insurance. As with other products, understanding about how Sharia insurance works is not detailed.

"It cuts out the interest and middle men, to ensure the insurance product is suited towards an individual that has strong Islamic beliefs, and doesn't jeopardise or compromise them."

Female, under 30, £25-35K, London

A couple of participants had looked into Sharia insurance but had found the policy too expensive. The costs made it unworkable for someone on a low to moderate salary, without disadvantaging them economically.

"Salaam Insurance for instance, yes, good idea, fantastic. But I phoned them up and you know, they were £300 more than what I was paying, so."

Male, 45+, £5-10.5K, Leeds

Loans

A few participants had taken out non-Sharia loans, including student loans, loans from banks and borrowing from family members, as they felt this was necessary for the sake of their business or personal situation.

Those who mentioned borrowing from family members tended to say this was because it was cheaper than a bank loan. However, others have chosen not to take out a loan, because of their Muslim principles. This could also have implications on their career options, as without the option of a loan their ability to undertake further study was reduced. No participant mentioned awareness or investigating any Sharia loans.

"We have been told as a Muslim that if you do take out interest related sort of funding it is seen as a very, very big sin, a very big sin, so, without even thinking about it, I know not to even go there, I wouldn't dare to take a [student] loan out ... and that is definitely about being a Muslim, the way I have been brought up, it was my teacher that taught me to be like that."

Female, under 30, £5-10.5K, London

Credit cards and ISAs

A number of participants made reference to having credit cards. For some, interest was not an issue because they paid off the balance in full each month, although there was also a fair number who had run up debts which were incurring interest. A small number did not see credit card ownership as a black or white issue in Sharia terms, believing that credit cards were allowed as long as the amount spent on them was small, so the amount would be regarded as 'peaceful' and so not forbidden. Some also expressed the view that paying for ownership of the credit card would render it as an investment so it would be allowed. Others had credit cards but had stopped or had never used them to conform with Sharia principles.

"A credit card wouldn't be an issue because you are paying in order to use it and the amount is very little, I mean the limit on the credit card, say like £10,000 credit, then that would be an issue because you are borrowing a big amount of money, it depends how much it affects you, if it's just for little bits and bobs here and there that's fine but if you are taking out a lot of money to buy something that you don't have, Islam doesn't allow you to do that."

Female, under 30, £5-10.5K, London

There was some mention of using ISAs and savings accounts, although participants often cited they had little funds in them. However, there were also participants who mentioned not taking out or stopping using an ISA as they had thought about the interest element of such accounts.

Pensions

Very few participants mentioned pensions spontaneously when asked about finances and financial products. This could in part reflect the fact that participants were recruited on the basis of not having a personal pension so it is unsurprising that pensions as an issue (not just Sharia pensions) had lower resonance than some other products that participants have come into contact with personally, such as bank accounts, mortgages and car insurance.

For one participant, his lack of a pension was “for me my biggest worry at this present moment long term” as he wanted to make provision for retirement but was not sure how to go about it as he was not sure how reliable pensions were or how to go about setting up a pension. A couple of other participants, in their 30s or older, spoke of how with hindsight they wished they had taken out a pension but that it was not practical now due to their lack of spare funds and a sense that it was too late now for any provision they did make to provide a decent income in retirement. Some also referred to negative coverage of pensions by the media, and lack of ability to access the fund early should they need to as reasons why they would prefer to invest in another way to provide for retirement.

"You have to make a commitment in terms of money, putting it away for a long term, rather than, like whereas I've got money where I put it in the bank and I know when I want it I can take it out and use it for whatever reasons I need it for, whereas with a pension it's a long term thing, and the other thing has been basically I don't know what the right and wrongs are about the pension."

Female, 30-44, £25-35K, Birmingham

However, generally pensions as a product had very little top of mind salience with participants, reflecting the general lack of consideration about retirement and how to fund it (as discussed in chapter 3). Interviewers were able to provide a general outline for participants with little understanding of how pensions worked, in order to explore what might be important for them in terms of pension provision and Sharia principles.

When prompted for their thoughts on what a Sharia pension would comprise, participants are generally unclear what would be involved. Some presume a lower profit would entail, others presume that it does not rely on interest but do not know much about how interest relates to pensions. There was also some mention of not investing money in 'bad ways' but it was not always easy for participants to define 'bad' in this sense.

"Interest wouldn't be involved firstly, and that the money is not being used in a bad way."

Female, under 30, £5-10.5K, London

Some use their experience of growing up in another (Muslim) country as a basis that pensions are allowed but cannot explain in Sharia terms why that is.

"All Muslim countries have a pension. All Muslim people. If somebody work in the company, work in the government office, work in the factory, every month the factory will take a little bit of money. The UK has the National Insurance as well but other countries have a government fund. So by 20-25 years saving the money, for example, £5,000 is saved so this period government the money spend the other business, so that is profit and the people save the money."

Male, 30-44, variable income, Leeds

Appendix 4:

Discussion guides and stimulus materials

Discussion guide for individuals

Objectives: NEST wishes to understand more about what demand exists among the Muslim community in the UK for Sharia compliant financial products and what features of such accounts might be attractive. Current pension fund offerings in this area are limited and usage tends to be concentrated among higher earners. However, in light of the 2012 pension reforms, it is important to find out if greater provision of Sharia compliant funds would help increase pension take-up, particularly among the target audience of the 2012 reforms. The detailed objectives are to explore:

- the extent to which religion impacts on everyday life for Muslims
- attitudes towards retirement savings and pensions amongst UK Muslims
- how decisions about financial matters are taken – and whether this would apply to decision making about pensions
- how Sharia compliance is viewed
- to what extent Muslims in the target group seek out Sharia compliant finance generally
- what features of a Sharia compliant fund are most important.

Discussion area

Notes

1. Introduction

5 mins

- Introduce self, Ipsos MORI; explain that we will be talking about money when you are older and not working anymore and how faith might play a part in how you plan this. We have been asked to do this research by an organisation called NEST who are concerned with helping people to save for their retirement and who want to take into account the views and needs of a wide range of people
 - Introduce process: informal discussion; no right or wrong answers; no need to answer any questions they don't want to; ask me to rephrase if question isn't clear;
- The welcome serves to orientate participants and put them at ease. It also lays down the 'rules' of the discussion including those we are required to tell them about under MRS Code of Conduct. Finally, it provides some context for the discussion.

Discussion area

Notes

interview should last around 1 ½ hours.

- Remind of incentive
- Reassure respondents of confidentiality and anonymity – information will not be personally attributed.
- Gain permission to record.

To start off with, can you tell me a bit about yourself?

- Who lives in your home with you?
- What do you do for a living?
- Is this full/ part time?
- Do you get paid weekly or monthly?

If I were to ask you to **describe yourself in five words**, what words would they be? (*Note – at this point, we want the respondent to explore their identity – and if they come up with the term Muslim – please enquire along the lines of what being a Muslim means – otherwise, explore aspects of faith with a direct question – ‘what religion would you say you believe in?’*)

Interviewer to note ‘top of mind’ responses and refer to in section 4 ‘impact of faith on everyday life’.

2. Me and my money

I want to start off by thinking about money – how you spend it, how you might save it and the different ways you might think about and organise it.

How would you **describe your current financial circumstances**? Why do you say that?

- What would you say your key financial priorities are?

10 mins

This section explores participants’ financial circumstances and how they plan and approach financial decisions.

Discussion area

Notes

I now want you to tell me about **how you make money related decisions**. These may not be very big ones – even smaller ones like choosing car insurance, or planning a holiday...

- What was the last financial decision you made?
- Could you tell me how you went about making that decision?
- On your own? With help? Who helped you? Where do you look for information? PROBE: the internet, newspapers, magazines, friends and family, etc.

Can you think of all the **main ways in which you use your money**?

PROBE: Mortgage/rent; groceries; utilities; mobile phone; savings; insurance premiums; debt repayments; travel; holidays; clothes; socialising

- Can you tell me how much you plan/ organise your money - or not - for each of these? PROBE:
Thinking about them differently (important, nice to have, source of worry, etc)
Using bank/post office/ building society accounts etc – identify if they have one and how many
Putting money 'to one side' (perhaps physically, in their wallet/ purse, around the house, etc)
Different people in household responsible for different areas of spending/ saving
Anything else

If mentioned having a bank/building society/post office account/mortgage/loan

You mentioned having a **bank/ building society account**. Who do you bank with?

How did you decide which bank to go for? What factors did you

Discussion area

Notes

think about?

Thinking about the ways in which you spend/ plan/ organise/ manage your money that we just talked about; which of these would you describe as long term?

PROBE:

Mortgage

Planning for the future – in what ways?

3. Attitude towards retirement and pensions

So still thinking about the longer term, can you tell me about **how you see your lifestyle and circumstances when you are older and not working**? PROBE: standard of living, where respondent will live, what age they expect to stop working, whether they expect to keep working, etc

How do you see yourself managing financially when you are older and no longer working? PROBE AND EXPLORE

EXPECTATIONS FOR:

- The State Pension
- Savings/ personal pension
- Business ventures
- Stocks/shares
- Property sale/ development
- Family support
- Partner's pension
- Other
- Note if plan to retire abroad

20 mins

To understand how participants view retirement, what preparations they have made to fund their retirement and who has influenced their decisions. It also introduces the concept of pensions and discovers the participant's thoughts on and attitudes towards pensions.

Is planning for an income in retirement important to you now? Why/ why not?

Discussion area

Notes

- What about in the future?
- Is it something you have discussed with anyone? Who have you discussed it with? Why is that? What have you talked about?
- What plans, if any, do you think your neighbours, friends, family have? PROBE FOR DIFFERENCES IN PLANS AND EXPECTATIONS

What or who do you think influences your opinions and decisions about retirement?

- Have your attitudes towards retirement changed over the years? How have they changed? Why do you think they have changed?

One way you might achieve the kind of standard of living you want in retirement could be through a pension.

- Can you describe what you think a pension is? Interviewer, steer away from the State Pension. REFER TO STIMULUS MATERIAL (A) AS NECESSARY.

Probe ON whether the explanation is different to what respondent thinks a pension is

- Based on what I have told you, what do you think about pensions?
- Have you ever considered having a pension? IF NO Would you ever consider one? Why? Why not?
- Has your employer ever offered you a pension?
- IF PLAN TO RETIRE ABROAD – would you have any concerns around your ability to access your money from overseas? PROBE extent to which this impacts on their views of pensions.

Interviewer: Mehmet's pension scheme is transferable if he changes jobs and he can access it if he chooses to retire overseas

Discussion area

Notes

IF EMPLOYER HAS OFFERED A PENSION

Why didn't you take it up?

IF EMPLOYER HAS NOT OFFERED A PENSION

If your employer were to offer you a pension, would you be interested in it? Why/why not?

SHOW AND READ THROUGH STIMULUS MATERIAL (B).

Can you tell me how you might react in Mehmet's shoes?

- Would you want to ask any questions? What kind of questions might you have about the pension scheme?
- Who would you ask? Where would you go for advice?
- Would you be interested in how or where your money was invested? What about who was investing your money? Why do you say that?
- What would your concerns be?

If you had the option to opt out of the pension (and therefore not make contributions yourself and not get any of your employer's contributions either), would you do this?

PROBE FOR REASONS FOR OPTING OUT OF PENSION:

- Attitudes towards pensions/ other retirement plans
- Concern about pension not being Sharia compliant/ not aligned with faith
- Why else would you opt out of the pension?

4. Impact of faith and culture on everyday life

Interviewer to refer back to comments in section 1. You used the words.... to describe yourself

I now want to come back to you and your everyday life. I mentioned at the beginning that we are interested in the way that faith might play a part in people's planning for later life.

15 mins

This section starts to explore their understandings of being a Muslim and how it affects the way in which they live. It then moves on to focus on the impact being a Muslim has had

Discussion area

Notes

What does being a Muslim mean to you?

- Would you say your faith plays a part in your everyday life?
- IF FAITH DOES PLAY A PART ASK: Could you give me any examples of how faith plays a part?
- What influence does it have on the decisions you make about?
- PROBE: Food? Clothes? Family relationships? Education? Where you live? Where you work? How you bring up your children? Financial decisions?

on their financial decisions, in particular, those for planning for retirement.

What about other **people in your family and social circle who are Muslims** – would you say they have the same attitude as you towards faith?

- How does it differ?
- IF DIFFERS: Would you say that faith has any impact on the decisions they make in life about ... PROBE: employment, education, finance?

When you look for guidance on these issues – **where do you look?**

- Who do you speak to? Who gives you advice?
- Do you look for specific information? Where do you think you might find it?
- Family? Friends? Elders in the community?

Coming back to money and financial decisions, **how, if at all, does being a Muslim play a part in your financial decision making?**

- Do you think that's different from others in the Muslim community? How is that?
 - Do you think that's different from people from other faiths
-

Discussion area

Notes

and religions? Why do you say that?

Thinking back to when we were speaking about your retirement plans – do you think **your faith influenced (or will influence) your decisions** about funding your retirement?

- Why would you say that? How did your faith influence the decision? In what ways?
- Do you think other people in the Muslim community are also affected by these factors? Why is that? What about non-Muslims?

5. Views and understanding of Sharia compliance

10 mins

What do you **understand by the term Sharia**?

- PROBE: How you practice religion? How you pray? Beliefs? Morals? Law? Politics? Other issues? Which ones?
- What do you think Sharia means for money-related decisions, like mortgages, pensions, etc?

This section raises the issues of Sharia compliance and how important it is, what impact this has on personal finances and the choices they make.

If something financial, like a pension, was described as 'Sharia compliant', what would you think that meant?

- How do you think others in your community understand this term?
- Do you know of any Sharia compliant financial products? Which ones? Where did you hear about them?
- What sorts of things would reassure you that it is Sharia compliant? PROBE: for whether they would look into this or just have confidence in the label
- Do you know anyone who has had a Sharia financial product? Have they told you something about it?

How important do you think it is to Muslims in your community generally to take up financial options which are Sharia compliant?

Discussion area

Notes

Why?

And thinking about yourself and your own situation, how important is it to you? Why do you say that?

6. Features of pension funds

Thinking now back to Mehmet's situation, being automatically enrolled in a pension scheme; I want to now ask your views about what is important to you in terms of how the pension works.

What kinds of things are important to you in terms of how your pension contributions are invested? *Ensure we capture top of mind responses before prompting at next question*

STIMULUS MATERIAL C. **This card shows a variety of things which might be important to people when choosing how their pension contributions are invested. Which of these would be important to you?** *(Interviewer: If interviewee says they do not plan to join a pension scheme, remind them that we are considering a scenario whereby they have been automatically enrolled in a pension scheme)*

Which of these features do you feel is most important?

(Interviewer, let respondent say which are important first, then prioritise their choices – identifying the most and least important of the ones they chose).

- Which of these is important to you?
- Why is this/are these important?
- If a pension scheme offered these features would you be more likely to stay in the scheme/ not opt out? Why/why not?
- Would you opt out of the scheme if it didn't offer this, even if it meant you wouldn't have a pension with your

20 mins

This section tries to find out from individuals how Sharia compliance affects their own decisions. It also explores different features of a pension and which participants may find more attractive and why.

Discussion area

Notes

employer?

You have mentioned that [refer to their response] is important to you. Can I ask you what you would expect here?

INTERVIEWER NOTE: we are trying to explore levels of compliance here. For example, ban on certain foods like pork products; what would your expectations be here? Probe around investing in food production only, food production and all places that sell pork products.

Regarding monitoring the pension fund, is it important for the fund to be monitored by a board? What kind, who would you expect should do the monitoring?

- How do you think Sharia funds are currently monitored?

I now want you to think about the things that were most important to you alongside cost and performance.

Let's start with **cost**. That is, the amount of money you might be charged to have your money invested in the way which is important to you. The people who provide the pension charge for their services. I'm interested to know how much you'd be prepared to pay for the kind of pension you really want.

First of all, would cost have an impact on your decision if it cost more to have your pension contributions invested in this way [refer back to their preferences]?

Would you be willing to pay more if the kind of features that were important to you meant that it cost more?

IF YES: Why would you be willing to pay more?

IF NO: Why would you not be willing to pay more? Why do you say this?

We are trying to make the impact of management charges clear here. We understand that some people may have difficulty understanding the figures.

Discussion area

Notes

PROBE If the additional cost was more than you were willing to pay, what would you do? Choose a non-compliant fund instead?

The charge of running a pension scheme can sound small but can have a big impact on how much you get in the end. For example, if the charge was 0.5 per cent of what you paid in, this could mean you had 18 per cent less at the end, over a 40 year savings period. If you had a charge of 1.5 per cent, this would give you 25 per cent less at the end.

Interviewer if necessary summarise this point as “a 1.5 per cent charge doesn’t sound that much higher than 0.5 per cent but it would mean that your pension pot was quite a bit worse off in the end”.

Do you feel the same way about cost now?

Now, coming on to performance – that is, how much you could expect your money to make. To what extent would you take this into account in deciding how your pension contributions are invested?

Interviewer if further definition of performance is required, say ‘by performance I mean how much money the fund ends up being worth at the end compared to how much you have put it over time’. Explain, if necessary, performance isn’t certain, no matter what you invest in, for lots of different reasons.

- How important would it be to you to consider performance? Why do you say that?
- If having the features that you identified as important meant that the fund wouldn’t perform as well as others; would you prioritise performance over the other things you picked out as important?

Considering all of the things we’ve spoken about today -

Discussion area

Notes

pensions, automatic enrolment by the employer, balancing the importance of different features of pension funds - do you think you will look for more information about these things or to talk them through with anyone?

- Who or what would you turn to? Why that source?

7. Conclusions

5mins

In summary then, can you finally **describe how you feel about pensions?**

Summing up

On a scale of 1 to 10, with 10 being essential, **how important is it to you personally that you are offered a pension which takes into account the things you identified as important [refer to what was said in above section]?**

How would you feel if you were automatically enrolled into a pension scheme which didn't offer the things you identified as important?

Are there **any other issues** you feel should be raised or any final comments you would like to add?

THANK AND CLOSE

Discussion guide for pairs

Objectives: NEST wishes to understand more about what demand exists among the Muslim community in the UK for Sharia compliant financial products and what features of such accounts might be attractive. Current pension fund offerings in this area are limited and usage tends to be concentrated among higher earners. However, in light of the 2012 pension reforms, it is important to find out if greater provision of Sharia compliant funds would help increase pension take-up, particularly among the target audience of the 2012 reforms. The detailed objectives are to explore:

- the extent to which religion impacts on everyday life for Muslims
- attitudes towards retirement savings and pensions amongst UK Muslims
- how decisions about financial matters are taken – and whether this would apply to decision-making about pensions
- how Sharia compliance is viewed
- to what extent Muslims in the target group seek out Sharia compliant finance generally
- what features of a Sharia compliant fund are most important

Discussion area	Notes
<p>1. Introduction</p> <ul style="list-style-type: none">• Introduce self, Ipsos MORI; explain that we will be talking about money when you are older and not working anymore and how faith might play a part in how you plan this. We have been asked to do this research by an organisation called NEST who are concerned with helping people to save for their retirement and who want to take into account the views and needs of a wide range of people• Introduce process: informal discussion; no right or wrong answers; no need to answer any questions they don't want to; ask me to rephrase if question isn't clear; talk one at a time; want to make sure we hear from both of you; interview should last around 1 ½ hours.• Remind of incentive• Reassure respondents of confidentiality and anonymity – information will not be personally attributed.• Gain permission to record. <p>To start off with, can you tell me a bit about yourself? <i>Interviewer, gain info from both participants, clarify relationship, i.e. husband and wife</i></p> <ul style="list-style-type: none">• Who lives in your home with you?• What do you do for a living? (ask of main individual recruited – as we'll know they work - and also establish if partner works)• Is this full/ part time?• Do you get paid weekly or monthly? <p>POST-IT EXERCISE (IF SUITABLE) If I were to ask each of you</p>	<p>5 mins</p> <p>The welcome serves to orientate participants and put them at ease. It also lays down the 'rules' of the discussion including those we are required to tell them about under MRS Code of Conduct. Finally, it provides some context for the discussion.</p>

Discussion area

Notes

to **describe yourself in five words**, what words would they be?

(Note – at this point, we want the respondents to explore their identity – and if they come up with the term Muslim – please enquire along the lines of what being a Muslim means – otherwise, explore aspects of faith with a direct question – ‘what religion would you say you believe in?’)

Interviewer to note ‘top of mind’ responses and refer to in section 4 ‘impact of faith on everyday life’.

2. Me and my money

10 mins

I want to start off by thinking about money – how you spend it, how you might save it and the different ways you might think about and organise it.

This section explores participants’ financial circumstances and how they plan and approach financial decisions.

How would you **describe your current financial circumstances**? Why do you say that?

- What would you say your key financial priorities are?
- PROBE HOW PARTNER’S PRIORITIES COMPARE

I now want you to tell me about **how you make money related decisions**. These may not be very big ones – even smaller ones like choosing car insurance, or planning a holiday...

- What was the last financial decision you made?
 - Could you tell me how you went about making that decision? Which partner led on making the decision?
 - On your own? PROBE ROLE OTHER PARTNER PLAYED IN MAKING DECISION With help? Who helped you? Where do you look for information? PROBE: the internet, newspapers, magazines, friends and family, etc.
-

Discussion area

Notes

POST-IT EXERCISE (IF SUITABLE) Can you think of all the **main ways in which you use your money?**

PROBE: Mortgage/rent; groceries; utilities; mobile phone; savings; insurance premiums; debt repayments; travel; holidays; clothes; socialising

- Can you tell me how you much you plan/ organise your money - or not - for each of these? Address this question to main respondent, but also draw partner in, where useful.

PROBE:

Thinking about them differently (important, nice to have, source of worry, etc)

Using bank/post office/ building society accounts etc – identify if they have one and how many

Putting money ‘to one side’ (perhaps physically, in their wallet/ purse, around the house, etc)

Different people in household responsible for different areas of spending/ saving

Anything else

Thinking about the ways in which you spend/ plan/ organise/ manage your money that we just talked about; which of these would you describe as long term? *Reflect on views of both and try to draw out any differences.*

PROBE:

- Mortgage
- Planning for the future – in what ways?

3. Attitude towards retirement and pensions

20 mins

POST-IT EXERCISE (IF SUITABLE) So still thinking about the longer term, can you write down five words or phrases about

To understand how participants view retirement,

Discussion area

Notes

how you see your lifestyle and circumstances when you are older and not working? PROBE: standard of living, where they will live, what age they expect to stop working, whether they expect to keep working, etc. *Reflect and briefly discuss what participants have written.*

what preparations they have made to fund their retirement and who has influenced their decisions. It also introduces the concept of pensions and discovers the participant's thoughts on and attitudes towards pensions.

How do you see yourself managing financially when you are older and no longer working? PROBE AND EXPLORE EXPECTATIONS FOR:

- The State Pension
- Savings/ personal pension
- Business ventures
- Stocks/shares
- Property sale/ development
- Family support
- Partner's pension
- Other
- Note if plan to retire abroad

Is planning for an income in retirement important to you now? Why/ why not? *Establish views of both.*

- What about in the future?
- Is it something you have discussed with anyone? Who have you discussed it with? Why is that? What have you talked about?
- What plans, if any, do you think your neighbours, friends, family have? PROBE FOR DIFFERENCES IN PLANS AND EXPECTATIONS

What or who do you think influences your opinions and

Discussion area

Notes

decisions about retirement?

- Have your attitudes towards retirement changed over the years? How have they changed? Why do you think they have changed?

One way you might achieve the kind of standard of living you want in retirement could be through a pension.

- Can you describe what you think a pension is? Gain individual's views, then (briefly) partner's if possible. Interviewer, steer away from the State Pension. REFER TO STIMULUS MATERIAL (A) AS NECESSARY.

Probe ON whether the explanation is different FROM what RESPONDENT thinks a pension is

- Based on what I have told you, what you do think about pensions? Compare and contrast couple's views
- Have either of you ever considered having a pension? IF NO FROM EITHER Would you ever consider one? Why? Why not?
- ASK BOTH IF RELEVANT Has your employer ever offered you a pension?
- IF PLAN TO RETIRE ABROAD – would you have any concerns around your ability to access your money from overseas? PROBE extent to which this impacts on their views of pensions.

Interviewer: Mehmet's pension scheme is transferable if he changes jobs and he can access it if he chooses to retire overseas

IF EMPLOYER HAS OFFERED A PENSION

Why didn't you take it up?

IF EMPLOYER HAS NOT OFFERED A PENSION

If your employer were to offer you a pension, would you be

Discussion area

Notes

interested in it? Why/why not?

SHOW AND READ THROUGH STIMULUS MATERIAL (B).

Can you tell me how you might react in Mehmet's shoes?

Gain views of both

- Would you want to ask any questions? What kind of questions might you have about the pension scheme?
- Who would you ask? Where would you go for advice?
- Would you be interested in how or where your money was invested? What about who was investing your money? Why do you say that?
- What would your concerns be?

If you had the option to opt out of the pension (and therefore not make contributions yourself and not get any of your employer's contributions either), would either of you do this?

PROBE FOR REASONS FOR OPTING OUT OF PENSION:

- Attitudes towards pensions/ other retirement plans
- Concern about pension not being Sharia compliant/ not aligned with faith

Why else would you opt out of the pension?

4. Impact of faith and culture on everyday life

15 mins

*Interviewer to refer back to comments in section 1 (if relevant).
You used the words.... to describe yourself*

I mentioned at the beginning that we are interested in the way that faith might play a part in people's planning for later life.

POST-IT EXERCISE **What does being a Muslim mean to you – can you write down three main ways that your faith plays**

This section starts to explore their understandings of being a Muslim and how it affects the way in which they live. It then moves on to focus on the impact being a Muslim has had on their financial decisions, in particular, those for planning

Discussion area

Notes

a part in your life? *Compare and contrast thoughts.*

for retirement.

- What influence does your faith have on the decisions you make about?
- PROBE: Education? Where you live? Where you work? Financial decisions?

What about other **people in your family and social circle who are Muslims** – would you say they have the same attitude as you towards faith? *Include both.*

- How does it differ?
- IF DIFFERS: Would you say that faith has any impact on the decisions they make in life about ... PROBE: employment, education, finance?

When you look for guidance on these issues – **where do you look?** *Probe for extent to which they would approach this jointly or as individuals.*

- Who do you speak to? Who gives you advice?
- Do you look for specific information? Where do you think you might find it?
- Family? Friends? Elders in the community?

Coming back to money and financial decisions, **how, if at all, does being a Muslim play a part in your financial decision making?** *Include both, probe any differences in views.*

- Do you think that's different from others in the Muslim community? How is that?
 - Do you think that's different from people from other faiths and religions? Why do you say that?
-

Discussion area

Notes

Thinking back to when we were speaking about your retirement plans – do you think **your faith influenced (or will influence) your decisions** about funding your retirement? *Include both.*

- Why would you say that? How did your faith influence the decision? In what ways?
- Do you think other people in the Muslim community are also affected by these factors? Why is that? What about non-Muslims?

5. Views and understanding of Sharia compliance

10 mins

What do you **understand by the term Sharia**? *Ask both.*

- PROBE: How you practice religion? How you pray? Beliefs? Morals? Law? Politics? Other issues? Which ones?
- What do you think Sharia means for money related decisions, like mortgages, pensions, etc?

This section raises the issues of Sharia compliance and how important it is, what impact this has on personal finances and the choices they make.

If something financial, like a pension, was described as 'Sharia compliant', what would you think that meant? *Ask both.*

- How do you think others in your community understand this term?
 - Do you know of any Sharia compliant financial products? Which ones? Where did you hear about them?
 - What sorts of things would reassure you that it is Sharia compliant? Probe for whether they would look into this or just have confidence in the label
 - Do you know anyone who has had a Sharia financial product? Have they told you something about it?
-

Discussion area

Notes

How important do you think it is to Muslims in your community generally to take up financial options which are Sharia compliant? Why?

And thinking about yourself and your own situation, how important is it to you? Why do you say that? Ask both.

6. Features of pension funds

20 mins

Thinking now back to Mehmet's situation, being automatically enrolled in a pension scheme; I want to now ask your views about what is important to you in terms of how the pension works.

This section tries to find out from individuals how Sharia compliance affects their own decisions. It also explores different features of a pension and which participants may find more attractive and why.

What kinds of things are important to you in terms of how your pension contributions are invested? *Ensure we capture top of mind responses before prompting at next question.*

MARKING-UP EXERCISE - STIMULUS MATERIAL C. **This card shows a variety of things which might be important to people when choosing how their pension contributions are invested. Can each of you please mark on here which of these would be important to you when selecting a pension scheme to join? (Interviewer: If interviewee says they do not plan to join a pension scheme, remind them that we are considering a scenario whereby they have been automatically enrolled in a pension scheme)**

- Ascertain any differences between partners and probe briefly reasons behind their choices.

MARKING-UP EXERCISE – STIMULUS C. **And can you now mark on the same sheet, which of these features you feel is most important? (Interviewer, let respondent say which are important first, then prioritise their choices – identifying the most and least important of the ones they chose).**

Discussion area

Notes

- Ascertain any differences between partners and probe briefly reasons behind their choices.

Why is this/are these important?

If a pension scheme offered these features would you be more likely to stay in the scheme/ not opt out? Why/why not?

Would you opt out of the scheme if it didn't offer this, even if it meant you wouldn't have a pension with your employer?

ASK ONE BY ONE You have mentioned that [refer to their response] is important to you. Can I ask you what you would expect here?

INTERVIEWER NOTE: we are trying to explore levels of compliance here. For example, ban on certain foods like pork products; what would your expectations be here? Probe around investing in food production only, food production and all places that sell pork products.

Regarding monitoring the pension fund, is it important for the fund to be monitored by a board? What kind, who would you expect should do the monitoring? *Ascertain any differences between partners.*

- How do you think Sharia funds are currently monitored? What would make you trust that it is Sharia?

I now want you to think about the things that were most important to you alongside cost and performance.

Let's start with **cost**. That is, the amount of money you might be charged to have your money invested in the way which is important to you. The people who provide the pension charge for their services. I'm interested to know how much you'd be prepared to pay for the kind of pension you really want.

Discussion area

Notes

First of all, would cost have an impact on your decision if it cost more to have your pension contributions invested in this way [refer back to their preferences]? *Include both partners*

We are trying to make the impact of management charges clear here. We understand that some people may have difficulty understanding the figures.

Would you be willing to pay more if the kind of features that were important to you meant that it cost more? *Include both partners*

- IF YES: Why would you be willing to pay more?
- IF NO: Why would you not be willing to pay more? Why do you say this? PROBE If the additional cost was more than you were willing to pay, what would you do? Choose a non-compliant fund instead.

The charge of running a pension scheme can sound small but can have a big impact on how much you get in the end. For example, if the charge was 0.5 per cent of what you paid in, this could mean you had 18 per cent less at the end, over a 40 year savings period. If you had a charge of 1.5 per cent, this would give you 25 per cent less at the end.

Interviewer if necessary summarise this point as "a 1.5 per cent charge doesn't sound that much higher than 0.5 per cent but it would mean that your pension pot was quite a bit worse off in the end".

Do you feel the same way about cost now?

Now, coming on to performance – that is, how much you could expect your money to make. To what extent would you take this into account in deciding how your pension contributions are invested? *Include both partners*

Interviewer if further definition of performance is required, say

Discussion area

Notes

'by performance I mean how much money the fund ends up being worth at the end compared to how much you have put it over time'. Explain, if necessary, performance isn't certain, no matter what you invest in, for lots of different reasons.

- How important would it be to you to consider performance? Why do you say that?
- If having the features that you identified as important meant that the fund wouldn't perform as well as others; would you prioritise performance over the other things you picked out as important?

Considering all of the things we've spoken about today - pensions, automatic enrolment by the employer, balancing the importance of different features of pension funds - do you think either of you will look for more information about these things or to talk them through with anyone?

- Who or what would you turn to? Why that source?

7. Conclusions

5mins

In summary then, can you finally **describe how you feel about pensions?**

Summing up

On a scale of 1 to 10, with 10 being essential, **how important is it to you personally that you are offered a pension which takes into account the things you identified as important [refer to what was said in above section]?**

How would you feel if you were automatically enrolled into a pension scheme which didn't offer the things you identified as important?

Are there **any other issues** you feel should be raised or any

Discussion area

Notes

final comments you would like to add?

THANK AND CLOSE

Discussion guide for leaders

Objectives:

NEST wishes to understand more about what demand exists among the Muslim community in the UK for Sharia compliant financial products and what features of such accounts might be attractive. Current pension fund offerings in this area are limited and usage tends to be concentrated among higher earners. However, in light of the 2012 pension reforms, it is important to find out if greater provision of Sharia compliant funds would help increase pension take-up, particularly among the target audience of the 2012 reforms. The detailed objectives are to explore:

- the extent to which religion impacts on everyday life for Muslims
- attitudes towards retirement savings and pensions amongst UK Muslims
- how decisions about financial matters are taken – and whether this would apply to decision making about pensions
- how Sharia compliance is viewed
- to what extent Muslims in the target group seek out Sharia compliant finance generally
- what features of a Sharia compliant fund are most important.

This discussion guide will be used with **community and religious leaders** who may not necessarily fall within the target audience, but it is likely that others in their community may turn to them for **advice or be influenced by their views of financial products**.

In particular, we will examine what **decisions** are taken in discussion with community/faith leaders and what community leaders are **saying to their communities** about Sharia compliant finance, retirement savings and pensions.

Discussion Area	Notes
<p>1. Introduction</p> <ul style="list-style-type: none">• Introduce self, Ipsos MORI; explain that we will be talking about how people fund and plan for retirement and how faith might play a part in this. We have been asked to do this research by an organisation called NEST which is concerned with helping people to save for their retirement and who want to take into account the views and needs of a wide range of people• Introduce process: informal discussion; no right or wrong answers; no need to answer any questions they don't want to; ask me to rephrase if question isn't clear; interview should last around 40 minutes.• Reassure respondents of confidentiality and anonymity – information will not be personally attributed.• Gain permission to record. <p>Can you tell me about your community and your role within it?</p>	<p>3 mins</p> <p>The welcome serves to orientate participants and put them at ease. It also lays down the 'rules' of the discussion including those we are required to tell them about under MRS Code of Conduct. Finally, it provides some context for the discussion.</p>
<p>2. Attitude towards retirement and pensions</p> <ul style="list-style-type: none">• Just to start with, thinking about the future, have you thought much about your retirement? Do you think that most Muslims in your community feel the same way?• IF YES: How do you know this? Have you spoken to members of your community about plans for retirement? What kind of advice do you tend to offer? Do you think your advice helps to influence their decisions?• IF NO: Why? Age (too young); Mortgage/rental payments; depth of religious/faith views? <p>Do you think there are some assumptions made within the Muslim community about retirement plans?</p>	<p>5 mins</p> <p>To understand how they feel most Muslims view retirement and how the Muslim community prioritise plans for their future</p>

Discussion Area

Notes

- IF YES: What are these assumptions? PROBE: Children supporting parents? Providing support by caring for one's grandchildren? Investing in education of children?

Do you think that retirement is something that those in the

Muslim community tend to be concerned/worry about?

- IF YES: Why do you say that? What kind of issues do you think that they face? PROBE around financial concerns/sources of income etc
- How do you think that members of your community approach this issue? Are concerns about retirement issues raised with you by the community? If so, what are they? If appropriate do you tend to offer advice? What form does this take? PROBE: theological, practical, signposting? PROBE for detail on all responses.

What do you think others in your **own community see as priorities when it comes to their future/retirement?**

- Do most simply save using state/company pensions? Do people plan to retire in another country? What about investments, i.e. in real estate, which could provide returns to fund retirement?
- And do views tend to vary across the community or do people tend to feel similarly?

3. How religion impacts on financial decisions made by Muslims

I want to talk about how you think that religion impacts on **financial decisions** made by Muslims. By financial decisions, I mean anything from small things like choosing a mobile phone contract to bigger ones like getting a mortgage, buying a car etc.

8 mins

To investigate the impact of faith on Muslims' financial decisions, in general, and then focussing on their own plans for retirement.

Discussion Area

Notes

Do you think that Muslims' beliefs/faith have any kind of impact on this type of financial decision?

- IF YES: How do you think being Muslim guides peoples' approach? In what ways?
- IF NO: Why do you not feel that beliefs/faith impact on financial decisions for most Muslims?
- Do you take the same view for all Muslims, or do you think that it varies according to individual beliefs/preferences? In what ways does it vary?

In terms of longer term financial decision making, for instance, retirement plans – do you think **your faith influenced (or will influence) your decisions** about funding your retirement?

- Why do you say that? How did (will) your faith influence the decision? In what ways?
- Do you think other people in the Muslim community are also affected by these factors? Why is that?

Have **you spoken to anyone from your community (Muslim or otherwise)** or has anyone **spoken to you** about retirement plans?

- What kind of things did they ask? What kinds of things did they say? What advice did you offer?
- In what ways can you influence their decision? Why do you say that?
- After speaking about these issues, do you think they might consider other ways of funding their retirement? Why do you say that? What might they consider?

4. Views and understanding of Sharia compliance

10 mins

Can you **tell me what you understand by 'Sharia**

This section focuses on Sharia

Discussion Area	Notes
<p>compliance’?</p> <p>And how much you think your community understands the term Sharia?</p> <ul style="list-style-type: none">• What do you think people believe Sharia means? PROBE: How you practice religion? How you pray? Beliefs? Morals? Law? Politics? Other issues? Which ones?• How do Muslims form their views on what Sharia means?• How do you think most Muslims feel about Sharia? Are some aspects of Sharia more important than others? Which ones?	<p>compliance – what they think the Muslim community understand by this, and how choosing Sharia compliant products impacts on their lives</p>
<p>Now please think about Sharia compliant financial products. Firstly, please could you tell me a bit about your own understanding of Sharia compliant financial products?</p> <p><i>Interviewer, if respondent is uncertain, probe to ascertain level of understanding but reassure them that we do not expect them to be experts in this topic, we’re just after their impressions.</i></p> <ul style="list-style-type: none">• What makes Sharia compliant finance different to non Sharia compliant finance?• What are the benefits?• Are there any drawbacks?• What types of Sharia compliant financial products are you familiar with? Where did you hear about them? Interviewer, we are not looking for product brands just the overall type of financial product.• What sorts of things would reassure you that a product is Sharia compliant? Probe the extent to which they’d look into this or would just trust the label.	

Discussion Area

Notes

- Do you advise members of your community about Sharia compliant products? Which ones? Where do you get your information on them?

And how **aware** do you think Muslims in your community are **about Sharia compliant financial products?**

Are these products publicised in the community?

And for what reasons **do you think people in the community invest in Sharia compliant financial products?**

- PROBE: own religious belief, influence of others in the community? Any positive benefits? If so, what?
- And what about reasons why some people choose not to invest in these products; why do you think this is? PROBE: Expect less return on investment? Not a key aspect of Sharia?

Do you think that, if offered the opportunity to save for retirement in a Sharia compliant personal pension plan, **Muslims in your community would take up this opportunity?**

- Which ones (wealthier, younger, older, etc)?
- Why do you say that?

5. Features of pension funds

In 2012 new pensions regulations will be introduced which will require employers to automatically enrol staff into a pension scheme. There will be a short window where staff can formally opt out of joining the scheme but if they do not do so, they will be enrolled automatically. If they did opt out, this would mean they would not be able to access potential employer contributions to their pension scheme.

- What advice would you give to others in your community

12 mins

This section looks into their own personal views on the features of Sharia financial products – and how they compare to other ethical funds

Discussion Area

Notes

about this automatic enrolment into a pension scheme?
PROBE Opt out regardless of whether a Sharia pension fund is offered? Opt out only if a Sharia pension fund is not offered? Advise them to invest their money in another way – which one? Make alternative retirement plans – which ones?

- Why do you say that?

STIMULUS MATERIAL C. Thinking more generally about pension funds now, this card shows a variety of things which might be important to people when choosing how their pension contributions are invested. Which of these would be important to people in your community when choosing a pension scheme?

- Which of these do you think would be most important to your community? (let them choose first, then ask them to prioritise or, if lots, identify most and least important)
- Why is this/are these important?
- If a pension scheme offered these features, do you think people in your community would be more likely to join the scheme?
- Thinking about the automatic enrolment discussed before, do you think people would be less likely to opt out of a pension scheme offering these features – or would it not make a difference, do you think? Why/why not?

You have mentioned that you feel [refer to their response] would be important to your community. What do you think they would expect here?

INTERVIEWER NOTE: we are trying to explore levels of compliance here. For example, ban on certain foods like pork products; what would expectations be here? Probe around

We are trying to make the impact of management charges clear here. We understand that some people may have difficulty understanding the figures.

Discussion Area

Notes

investing in food production only, food production and all places that sell pork products.

I now want to think about the things that were most important alongside cost and performance. Firstly, the people who provide the pension **charge for their services**. The charge of running a pension scheme can sound small but can have a big impact on how much you get in the end. For example, if the charge was 0.5 per cent of what you paid in, this could mean you had 18 per cent less at the end, over a 40 year savings period. If you had a charge of 1.5 per cent, this would give you 25 per cent less at the end.

Interviewer if necessary summarise this point as “a 1.5 per cent charge doesn’t sound that much higher than 0.5 per cent but it would mean that your pension pot was quite a bit worse off in the end”.

Do you think the cost of this management of the pension fund would have an impact on people’s decision if it cost more to have their pension contributions invested in this way [refer back to their preferences]?

- If the additional cost was more than they were willing to pay, do you think people would choose a non-compliant fund instead or none at all?

Now, coming on to **performance** – that is, how much people could expect their money to make. (*Interviewer explain, if necessary, performance isn’t certain, no matter what you invest in for lots of different reasons*)). **How important do you think it would be to people to consider performance – that is, how much people could expect their money to make in the pension fund - against the other factors?** Why do you say that?

Interviewer if further definition of performance is required, say ‘by

Discussion Area

Notes

performance I mean how much money the fund ends up being worth at the end compared to how much you have put it over time". Explain, if necessary, performance isn't certain, no matter what you invest in, for lots of different reasons.

- If having the features identified as important meant that the fund wouldn't perform as well as others; do you think people would prioritise performance over the other things?

A Sharia compliant pension fund would be overseen by a board of elders who would make decisions about how the money was invested and managed.

- Is this something which is important to you?
- Is this something you, in giving advice to people, would want to know more about?
- What kinds of questions would you ask about it?

6. Conclusions

2 mins

Is there anything you would like to add about Sharia compliant financial products and how you/Muslims in your community tend to view them?

Summing up

THANK AND CLOSE

Discussion guide for groups

Objectives: NEST wishes to understand more about what demand exists among the Muslim community in the UK for Sharia compliant financial products and what features of such accounts might be attractive. Current pension fund offerings in this area are limited and usage tends to be concentrated among higher earners. However, in light of the 2012 pension reforms, it is important to find out if greater provision of Sharia compliant funds would help increase pension take-up, particularly among the target audience of the 2012 reforms. The detailed objectives are to explore:

- the extent to which religion impacts on everyday life for Muslims
- attitudes towards retirement savings and pensions amongst UK Muslims
- how decisions about financial matters are taken – and whether this would apply to decision-making about pensions
- how Sharia compliance is viewed
- to what extent Muslims in the target group seek out Sharia compliant finance generally
- what features of a Sharia compliant fund are most important.

We are conducting two mini-groups with high earners to understand the financial decision-making process and religious convictions of this audience. We aim to recruit at least some with personal experience of Sharia financial products, for example, bank account, child trust fund, mortgage).

The objectives of these mini-groups are to:

- Compare the awareness of and interest in Sharia financial products among this audience with that among the target audience; and
- Explore whether high earnings or education level or financial literacy drives demand for Sharia compliant financial products.

Discussion Area	Notes
<p>1. Introduction</p> <ul style="list-style-type: none">• Introduce self, Ipsos MORI; explain that we will be talking about money and finances when you are older and not working anymore and how faith might play a part in how you plan this. We have been asked to do this research by an organisation called NEST who are concerned with helping people to save for their retirement• Introduce process: informal discussion; no right or wrong answers; no need to answer any questions they don't want to; ask me to rephrase if question isn't clear; please talk one at a time; all views valid; interview should last around 1 ½ hours.• Toilets, mobile phones, fire procedures.• Remind of incentive• Reassure respondents of confidentiality and anonymity – information will not be personally attributed.• Gain permission to record.	<p>5 mins</p> <p>The welcome serves to orientate participants and put them at ease. It also lays down the 'rules' of the discussion including those we are required to tell them about under MRS Code of Conduct. Finally, it provides some context for the discussion.</p>
<p>To start off with, I'd like to go round the group and for each of you to tell me a bit about yourself.</p> <ul style="list-style-type: none">• Who lives in your home with you?• What do you do for a living? How long have you been doing that? Briefly explore previous work history if necessary.• Is this full/ part time?• Do you get paid weekly or monthly – or another structure? Do you have any other sources of income apart from your work?	

POST-IT EXERCISE If I were to ask you to **describe yourself in**

Discussion Area

Notes

five words, what words would they be? Could each of you write down the words on these post-its?

Interviewer go round group briefly, exploring why they have chosen the words they have written (at this point, we want the respondents to explore their identity).

If they come up with the term Muslim – please enquire along the lines of what being a Muslim means – otherwise, explore aspects of faith with a direct question – ‘what religion would you say you believe in?’

2. Attitude towards retirement and pensions

20 mins

I'd like you now to think about the longer term.... can you tell me about **how you see your lifestyle and circumstances when you are older and not working?** WRITE UP ON FLIPCHART.

PROBE: standard of living, where respondent will live, what age they expect to stop working, whether they expect to keep working, etc

How do you see yourself managing financially when you are older and no longer working? PROBE AND EXPLORE EXPECTATIONS FOR:

- The State Pension
- Savings/ personal pension
- Business ventures
- Stocks/shares
- Property sale/ development
- Family support
- Partner's pension
- Other

To understand how participants view retirement, what preparations they have made to fund their retirement and who has influenced their decisions. It also introduces the concept of pensions and discovers the participant's thoughts on and attitudes towards pensions.

Discussion Area

Notes

Is planning for an income in retirement important to you now?

Why/ why not?

- What about in the future – is there a point at which you feel it will become important?

Have you discussed planning financially for retirement with anyone, formally or informally?

- Who have you discussed it with? Why them? What have you talked about?
- What plans, if any, do you think your neighbours, friends, family have?

What or who do you think influences your opinions and decisions about retirement?

- Have your attitudes towards retirement changed over the years? How have they changed? Why do you think they have changed?

One way you might achieve the kind of standard of living you want in retirement could be through a pension.

- Can you describe what you think a pension is? Interviewer, steer away from the State Pension. REFER TO STIMULUS MATERIAL (A) AS NECESSARY.

Based on what I have told you, what do you think about pensions?

Have you ever considered having a pension? IF NO would you ever consider one? Why? Why not?

Has your employer ever offered you a pension?

IF EMPLOYER HAS OFFERED A PENSION

- Why didn't you take it up?
-

Discussion Area

Notes

IF EMPLOYER HAS NOT OFFERED A PENSION

- If your employer were to offer you a pension, would you be interested in it? Why/why not?

3. Impact of faith and culture on everyday life

15 mins

I now want to put retirement and pensions to one side and come back to you and your everyday life. I mentioned at the beginning that we are interested in the way that faith might play a part in people's plans.

This section starts to explore their understandings of being a Muslim and how it affects the way in which they live. It then moves on to focus on the impact being a Muslim has had on their financial decisions, in particular, those for planning for retirement.

What does being a Muslim mean to you? GO ROUND GROUP

- Would you say your faith plays a part in your everyday life? Can you give me any examples? WRITE UP ON FLIPCHART
- PROBE: What influence does it have on the decisions you make about Food? Clothes? Family relationships? Education? Where you live? Where you work? How you bring up your children? Financial decisions?

What about other **people in your family and social circle who are Muslims** – would you say they have the same attitude as you towards faith?

- How does it differ?
- IF DIFFERS: Would you say that faith has any impact on the decisions they make in life about ... PROBE: employment, education, finance?

Coming back to money and financial decisions, **how, if at all, does being a Muslim play a part in your financial decision making?**

- How much of a factor do you think faith is for others in the Muslim community when making financial decisions?
-

Discussion Area

Notes

- How do you think Muslims' approach to finances and financial decisions is different from that of other faiths and religions? Why do you say that?

Thinking back to when we were speaking about your retirement plans – do you think **your faith influenced (or will influence) your decisions** about funding your retirement?

- Why do you say that? How did your faith influence the decision? In what ways?
- Do you think other people in the Muslim community are also affected by these factors? Why is that? What about non-Muslims?

4. Views and experiences of Sharia compliance

10 mins

I would like to **understand a bit more about your faith and religion.**

What do you **understand by the term Sharia**? WRITE UP ON FLIPCHART

- PROBE: How you practice religion? How you pray? Beliefs? Morals? Law? Politics? Other issues? Which ones?
- What do you think Sharia means for money-related decisions, like mortgages, pensions, etc?

This section raises the issues of Sharia compliance and how important it is, what impact this has on personal finances and the choices they make.

People make financial decisions based on many different factors.

What experience do you have personally of Sharia financial products?

- Have you had or do you currently have A Sharia bank account? A Sharia personal loan? A Sharia mortgage (aka Sharia Home Purchase Plan)? Taken out a Sharia Child Trust Fund (on behalf of a child)? A Sharia pension fund?
 - IF YES For what reasons did you opt for a Sharia product
-

Discussion Area

Notes

rather than a standard product? Probe extent to which decision was taken by self or influenced from someone else – who?

- How did you find out about Sharia financial products?
- How have your experiences been of using this/these products? PROBE Service received? Performance of product? Interviewer separate out comments on different products – and bear in mind that for some, for example, Child Trust Fund or others taken out more recently) it participants may not know much about performance yet.
- Have you ever thought about switching to a standard financial product, rather than the Sharia version? Why do you say that? Do you ever see a situation in which you might do so?
- IF NO were you aware that this type of financial product exists?
- Have you ever considered taking out this type of product? IF NO For what reasons did you not consider this kind of product? IF YES For what reasons did you decide not to take out a Sharia financial product?
- IF TAKEN OUT OR AWARE how did you find out about Sharia financial products?
- Do you see a time in the future where you may be more likely to consider

If something financial, like a pension, was described as 'Sharia compliant', what would you think that meant?

- How do you think others in your community understand this term?
 - Do you know of any Sharia compliant financial products? Which ones? Where did you hear about them?
-

Discussion Area

Notes

- What sorts of things would reassure you that it is Sharia compliant? PROBE FOR WHETHER THEY WOULD LOOK INTO THIS OR JUST HAVE CONFIDENCE IN THE LABEL
- Do you know anyone who has had a Sharia financial product? Have they told you something about it?

How important do you think it is to Muslims in your community generally to take up financial options which are Sharia compliant? Why?

And thinking about yourself and your own situation, how important is it to you? Why do you say that?

5. Features of Sharia compliant financial products

20 mins

Thinking now back to Mehmet's situation, being enrolled in a pension scheme; I want to now ask your views about what is important to you in terms of how the pension works.

This section tries to find out from individuals how Sharia compliance affects their own decisions. It also explores different features of a pension and which participants may find more attractive and why.

If you were looking at joining a pension scheme, **what kind of things would you be looking at or thinking about, in order to make sure that you joined the best scheme for you?** *Ensure we capture top of mind responses before prompting at next question*

STIMULUS MATERIAL D. **This card shows some things that people may wish to consider when choosing a pension scheme. Which of these would be important to you when selecting a pension scheme to join?** *(Interviewer: If interviewee says they do not plan to join a pension scheme, ask them to think about it hypothetically)*

Which of these features do you feel is most important for a Sharia compliant financial product? *(Interviewer, respondent)*

Discussion Area

Notes

may say that all are important but probe which are particularly important) Why do you say that?

- Which of these features is important to you?
- Why is this/are these important?
- If a pension scheme offered this feature would you be more likely to join a pension scheme? Why/why not?
- What difference do you think having a pension scheme with this feature/these features would make to its performance or the return it offered?

Regarding monitoring the pension fund, is it important for the fund to be monitored by a board? What kind, who should do the monitoring?

- How do you think Sharia funds are currently monitored? What would make you trust that it is Sharia?
- What is more important to you - an 'off the peg' ethical financial product or a Sharia compliant one? Why do you say that?

Regarding the management charges, would cost have an impact on your decision to use a Sharia compliant pension plan? Do you think you would be prepared to pay more, for example, a higher management charges) for a pension scheme that was Sharia compliant?

- IF YES: How much more? Why would you be willing to pay more? PROBE around religious beliefs/faith. If the additional cost was more than you were willing to pay, what would you do? Choose a non-compliant fund instead – ethical or standard? Opt out of the scheme altogether?
 - IF NO: Why would you not be willing to pay more for a Sharia compliant fund? Would you choose to pay less for a
-

Discussion Area

Notes

non-compliant fund, or opt out of the pension scheme altogether? Why do you say this?

Would performance have an impact on your decision to use a Sharia compliant pension plan?

(Moderator explain, if necessary, that all pension plans perform differently; total return is dependent on investment performance of the markets selected, for example, the performance of Sharia Equity Fund).

- How important would it be to you to consider performance when choosing a Sharia compliant pension scheme? Why do you say that?
- How do you prioritise performance in comparison to faith/religious/ethical considerations?
- Is it more important to you to have a Sharia compliant pension fund, or to have a pension which performs better, but is non-compliant? Why?
- Would you always choose a Sharia compliant pension, even if non compliant pensions performed better and charged lower management costs?

6. Conclusions

5mins

In summary then, can you finally **describe how you feel about pensions?**

Summing up

On a scale of 1 to 10, with 10 being essential, **how important is it to you personally that you are offered a Sharia compliant pension?**

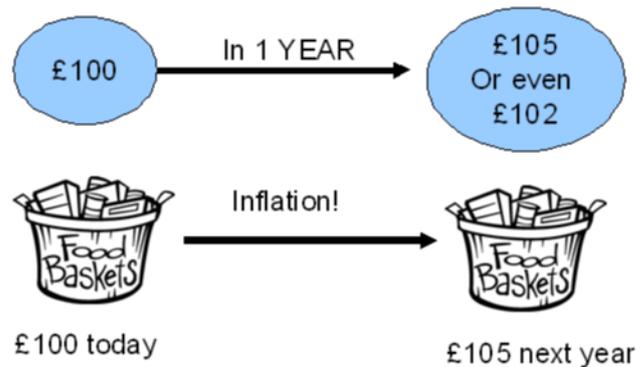
Are there **any other issues** you feel should be raised or any final comments you would like to add?

THANK AND CLOSE

Stimulus materials

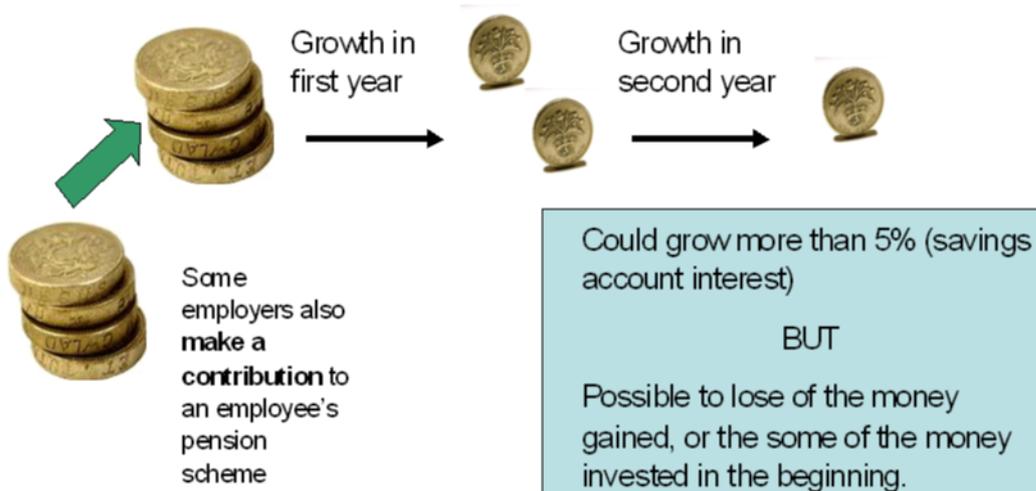
These materials were shown to participants during interviews to illustrate certain points, and help them understand some simple financial concepts.

Saving money into a savings account provides you with the money you put in plus any interest (profit) that money has earned. Interest rates can be 5% or higher but can just be 2% each year

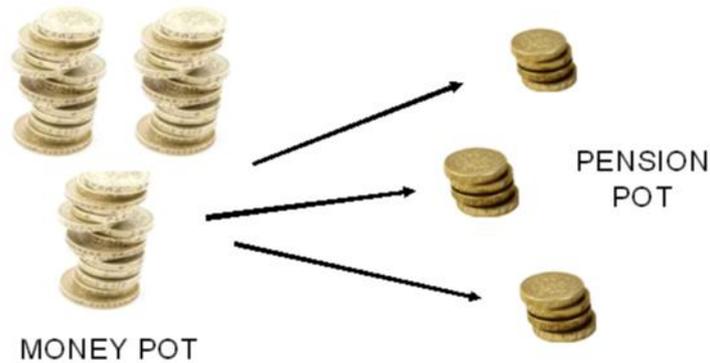


Which means the interest you earn may not provide you enough to retire on

So a pension aims to “beat” inflation in terms of returns and so provide more of an income in retirement



Pension scheme: a plan that some people make payments into, to give them an income when they retire



At retirement, the pension company looks at how much money is in the account (the 'pot') and work out what regular payments they will offer.

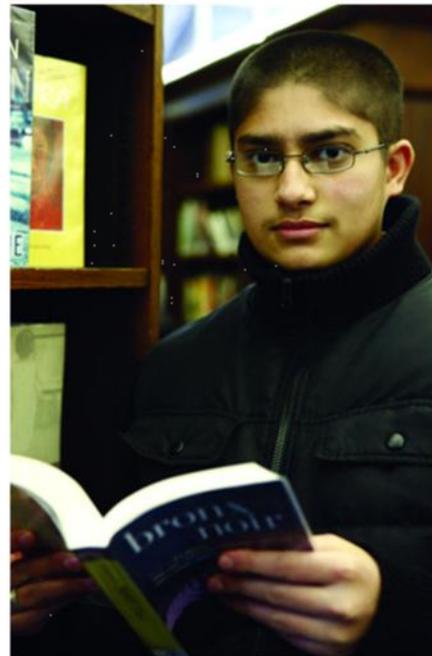
Scenario

Mehmet has just started a new job. His employer has to automatically enrol him as a member of the work pension scheme.

His employer will pay some money into the pension scheme each month (3% of Mehmet's pay) on top of what he pays him and Mehmet must pay 5% out of his pay as well.

This money will be invested for him in a pension which he can access when he retires.

Mehmet has a short window in which he can choose to opt out of the work pension scheme – but if he does so, he will lose the contributions from his employer as well.



The following stimulus is the showcard shown to participants, when asking them to think about features of a pension fund that might be important to them, in terms of where money is invested.

Which of the following things concern you in terms of how your pension saving is invested?

- 1) Paying or receiving interest
- 2) Activities which contribute to climate change/ cause pollution
- 3) Only selling owned assets, i.e. not making money out of things which you don't own
- 4) Games of chance, like casinos and poker
- 5) Ban on uncertainty or speculation: everybody involved in a financial transaction must be adequately informed and not deceived or given the wrong impression in any way
- 6) Alcohol
- 7) Pornography
- 8) Risk sharing – so not just one person (either the person whose money is being invested or the one looking after the money) could potentially lose out or gain
- 9) Weapons
- 10) Certain foods, for example, pork products
- 11) Sustainable farming
- 12) Tobacco
- 13) Companies which have fair employment practices