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EXPLORING THE PROSPECTS FOR ISLAMIC HOME FINANCE IN THE UK: EVIDENCE FROM THE INDUSTRY PRACTITIONERS' PERSPECTIVE

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ABSTRACT

The predominant focus of most of the existing literature assessing the potential of Islamic home finance in the UK has been on Muslim customers and also appears to be outdated. This updated study takes a fresh approach, exploring the prospects for Islamic home finance taking into account the UK's current financial position by involving neglected key stakeholders: independent mortgage consultants. The findings—derived from semi-structured interviews with a sample of ten experienced mortgage brokers—reveal that factors such as affordability (i.e. higher deposits), acceptability (i.e. strict criteria), accessibility (i.e. lack of products and banks), and low levels of product knowledge and recognition have restricted its uptake. The findings also highlight that the Muslim community does not provide a sufficiently large market for Islamic home finance and, as such, it has a limited scope in the UK market.

Keywords: Islamic finance; Islamic home finance; Islamic mortgages; Real estate finance

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1. INTRODUCTION

The fallout from the financial crisis of 2007–2009 has radically altered the dynamics of the financial market. On one hand, it severely damaged the reputation and profits of the conventional banking sector. More than eight years on from this financial crisis, much of the media coverage of the sector continues to be negative in tone, and the financial services industry is struggling to regain customers' trust (Chater, 2015). On the other hand, the outcome of the crisis has renewed the focus on the relationship between financial stability and Islamic banking with its principles based on partnership, transparency and fairness (Hasan & Dridi, 2011). This associated sense of equity and fairness adds to the appeal of Islamic home finance, also known as Islamic mortgages, in comparison with conventional mortgages. These principles aid the construction of a healthier and

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more stable financial system. This was evident during the recent subprime financial crisis which left Islamic banks largely unscathed in terms of financial losses (Iqbal & Mirakhor, 2011; Warde, 2012). Attracted by ethical values, non-Muslims have also begun to apply for Islamic financial products and services. This trend has been evident in Hong Kong, Singapore, Luxembourg, South Africa, the UK (World Bank, 2015) and particularly in Malaysia where many non-Muslim customers are using Islamic banking and financial products and services along with Muslim customers (AsiaOne, 2015).

The UK has also recognised the appeal of Islamic finance and recently established the UK Islamic Finance Secretariat (UKIFS) and the ministerial-led Islamic Finance Task Force (IFTF) to promote London as a hub of Islamic finance. However, to date, evidence supporting the reasons for the growth of Islamic home financing products has been somewhat anecdotal. Nevertheless, fiscal year 2015 figures released by the UK's first standalone Sharia'h-compliant bank, Al Rayan Bank (formerly known as Islamic Bank of Britain), show an increase of 50% in home purchase plan financing, amounting to £311.6 million (Al Rayan Bank, 2015). Meanwhile, gross home financing has been encouraging although it is argued that the progress has been quite slow, bearing in mind the bank began its operations in 2004. Moreover, the exit of Lloyds and HSBC from the Islamic home financing market, in 2010 and 2012 respectively, raises questions about the prospects for the UK Islamic mortgage market.

Academically speaking, some studies have been conducted to assess the potential and demand of Islamic home financing in the United Kingdom (e.g. Dar, 2004; Tameme, 2009; Khan, 2012; Mansour et al., 2010; Akbar, Shah & Kalmadi, 2012; Rehman, 2012; Hussain, 2015). However, some studies (e.g. Dar, 2004; Akbar, Shah & Kalmadi, 2012; Hussain, 2015) adopted a one-size-fits-all approach focusing on an overall picture of Islamic finance without real emphasis on Islamic *home* finance. The studies which particularly concentrated on Islamic home finance, such as Matthews, Tlemsani and Siddiqui, 2003; Tameme, 2009; Masood et al., 2009, have basically turned old-fashioned because of the changes in the demographic landscape of the Muslim population and the financial environment over this period. Therefore, with the arrival of new players and the measures taken by the government to shift Islamic banks into the mainstream market, the originality of these studies in the current context has elapsed and requires reassessment. This leaves a huge gap in this field, particularly in terms of the prospects of Islamic home purchase finance in the UK. Further to this, and more importantly, the majority of the existing studies predominately focused on Muslim customers and Islamic scholars, using surveys for the most part, thus lacking critical insight— particularly from industry driven perspectives—creating a further vacuum in this field.

This study is initiated to address the above gaps and aims to explore the prospects for Islamic home finance by shifting the focus from customers and religious scholars to the frequently neglected key stakeholders; qualified independent mortgage brokers approved by the UK Financial Conduct Authority (FCA). In addition, unlike previous studies mainly following quantitative surveys, this study follows a qualitative strategy by carrying out semi-structured interviews to obtain in-depth industry-driven insights from mortgage brokers in order to; (a) ascertain the key factors affecting the use of Islamic home finance in the UK presently and (b) analyse perceptions, beliefs and opinions held by industry practitioners/mortgage brokers regarding the potential for Islamic home finance market in the UK.

The remainder of this paper is organised as follows; a comprehensive literature review, followed by a brief description of the research philosophy and research strategy which informs it; as well as the sampling, data collection and data analysis methods adopted. Finally, there is a conclusion with recommendations and directions for future research.

2. LITERATURE REVIEW

In the last two decades, a number of studies have attempted to examine Islamic finance from different viewpoints, such as performance, development, efficiency and general perception. The literature on modern Islamic finance now extends to many Muslim and non-Muslim countries across the globe. For example, Abdullah (2016) conducted a study focusing on the US market. The study particularly examined the authenticity of three Islamic financial products; *ijarah wa iqtina* (Al-Manzil), *Murabaha financing facility* and *musharakah mutanaqisah* (Declining Balance Co-Ownership Programme). The study found that each product involves a risk-free transaction and interest. In contrast, Al-Zumai and Al-Wasmi (2016) concentrated in the MENA region and declared that Islamic finance was fast becoming a mainstream industry and Islamic finance products offered in MENA countries are Sharia'h compliant.

Furqani and Mulyany's (2009) study also share similar views regarding Malaysia, concluding that Islamic finance was positively and considerably associated with Malaysia's economic development and wealth accumulation. A number of other studies also focused on the Malaysian market. For example, Amin (2008) reviewed the selection criteria for Islamic home and suggested that Sharia'h principles, low periodic payments, transparent practice, interest-free and 100% finance facility, as the key reasons when selecting Islamic home finance. Similarly, another study conducted by Abdul-Razak and Abduh (2012) examined customers' attitude upon *bay bi'thaman ajil* and the diminishing partnership, and concluded that customers perceive diminishing *musharakah* as more Sharia'h-compliant as opposed to *bi'thaman ajil* mode of Islamic home finance. Amin, Abdul-Rahman and Abdul Razak (2014) further examined the factors influencing the customers' acceptance on Islamic mortgage products amongst Muslim Malaysian banks' clients. The study found that occupation, marital status, religion and ethnicity are more instrumental factors when determining Islamic mortgages as opposed to gender, education and the monthly earning of the customer. In the same fashion, studies conducted by Amin, Abdul-Rahman and Abdul-Razak (2016) and Amin, Abdul-Rahman, Abdul-Razak and Rizal (2017) further suggested that religiousness, Sharia'h debt principle and perceived *maqasid* on home ownership was found to be instrumental for the adoption of Islamic home purchase financing in the Malaysian context.

In another part of the world, Kaakeh, Hassan and Almazor (2018) attempted to explore the prospects of Islamic finance in Spain, whereas Masiukiewicz (2017) looked at the wider picture by focusing on the whole of Europe. The findings of these two studies were contrary to the aforementioned research, with the researchers citing issues of awareness, low demand from the Muslim diaspora in Europe, and the incompatibly of constitutional rules and policies in non-Muslim majority countries as the main barriers to the development of Islamic finance in the European continent.

In the United Kingdom, one of the earlier studies on Islamic home finance by Matthews, Tlemsani and Siddiqui (2003) attempted to measure the market potential of Islamic home finance in the UK's market. Their study calculated the overall market for Islamic home finance more than £7 billion. In contrast, Dar' (2004) concluded a lack of demand for Islamic home finance at that time citing higher costs as the key factor. A few years later, Tameme (2009) reassessed the supply and demand of Islamic home finance in the UK. Contrary to Dar's (2004) findings, Tameme (2009) suggested that the changing social and lifestyle trend in the Muslim diaspora may have been increasing the demand for Islamic home finance products.

Zakariyah (2012) adopted an unconventional approach to review the Sharia'h authenticity of Islamic home finance products in the UK in light of Islamic principles. This research scrutinised the three major Islamic home products—*murabahah*, *ijarah mutanaqisah* and *musharakah mutanaqisa*—under the Sharia'h law. The study attracts criticism that it was solely based on a subjective review of Islamic home finance products and the assertions failed to establish any support from Sharia'h scholars or financial experts in the field. Riaz (2014) also critically examined the views, understandings and beliefs of the UK's Muslims regarding Islamic finance. Unlike the other studies mentioned above, Riaz (2014) employed a sample of 25 Muslims, including Sharia'h scholars from various mosques and employees within British branches of Islamic banks around the UK. The research claimed to have found that the existing Islamic financial products in the country did not truly reflect the real spirit of the principles of social justice and fairness.

The findings lead to the conclusion that the majority of the UK based studies primarily followed a customer-oriented or religious perspective, thus lacking independent and up-to-date industry-led expert views. Therefore, this study has been initiated to explore the prospects for Islamic home finance in the UK from much awaiting industry practitioners; independent mortgage brokers.

3. RESEARCH PHILOSOPHY

The term *research philosophy*, also referred to as *worldview* (Creswell & Clark, 2007) or *paradigm* (Mertens, 2014), refers to a set of assumptions—epistemological, ontological and axiological—that explain how we perceive the world. A philosophical assumption informs a researcher as to what is meaningful, reliable and reasonable about the development of knowledge claim in a field (Kivunja & Kuyini, 2017; Saunders et al., 2015; Tuck & McKenzie, 2014).

There are two dominant research philosophies or paradigms: positivism, also known as scientism (Halfpenny, 2014), or logical positivism (Eriksson & Kovalainen, 2015), and interpretivism (Walliman, 2015), also known as humanism, social constructivism, constructivism or naturalism (Antwi & Hamza, 2015; Bryman, 2008; Mustafa, 2011). This study follows the principles of interpretivism since it considers the human experience a reasonable and valuable source of data to achieve its objectives. Hence, this study tends to apply a qualitative approach; semi structured interviewing.

3.1. Research Strategy

Since the proposed study is interpretivist in nature and includes an exploratory element, no other method than interviewing experts was more suitable to the nature of research. Conducting focus group interviews was another possible way of collecting primary data, but it was found to be physically impractical due to the difficulty in arranging focus groups at the same time and location. Consequently, semi-structured interviews were considered as a means to collect the data as it provides focused, reliable and comparable qualitative data (Stuckey, 2013). Another reason for selecting the interviewing technique, particularly semi-structured interviews, was that busy professionals are more inclined to be interviewed when the subject is seen as interesting and related to their prevailing field (Saunders, Lewis & Thornhill, 2015).

3.2. Sampling Strategy

This study applied a combined purposive and snowball sampling strategy. A purposive sample was targeted first, comprising of expert individuals who are personally known to the researcher, followed by a referral process chain (snowballing) through which other participants who shared the same qualities, and were best placed to answer the research questions, were selected. This strategy proved productive and the referral participants were found to be both knowledgeable and cooperative, with whom a level of trust and rapport was built during the interview process.

3.3. Sample Size

The sample included ten mortgage consultants, all of whom are regulated by the UK's Financial Conduct Authority, and who average more than ten years' experience in the industry, making them ideal candidates for this study. The selected sample may draw some criticism. However, it was assumed that any effort to inflate the number of participants would have risked diluting the quality of data by including less attentive or inexperienced mortgage consultants. It is also important to stress that the primary aim of this study is to explore the specific aspects of Islamic home finance in the UK, rather than to provide final and conclusive evidence on the subject matter. Therefore, there is justification to claim that the data collected from a carefully chosen sample reflects a comprehensive pattern of insights with regards to the research topic and adequately answers the research questions, whilst also laying the groundwork for a conclusive study.

4. DATA COLLECTION

Prior to collecting data, a semi-structured interview was developed on the basis of the research objectives. The interviews were conducted both face-to-face and via telephone across east London. Seven interviews were conducted via telephone, while three interviews were conducted in person.

5. DATA ANALYSIS

The core purpose of conducting interviews with experienced mortgage consultants was to obtain first-hand, impartial and up-to-date insights from the interviewees by garnering their experience and knowledge of Islamic home finance, and their opinions on related issues to ascertain the prospects for Islamic home finance in the UK. The collected data from the participants is based on the transcribed interviews which were analysed manually using colour coding and pattern analysis techniques. This approach set a sound platform for interpreting the data. The responses to each question were digitally recorded and then carefully transcribed. In order to obtain a focused set of data, the relevant texts specific to the questions were sifted according to their suitability. As certain questions explored similar concepts but from different angles, to simplify the analysis, some answers were subsequently grouped according to the particular theme they represented.

For example, questions **2**, **4** and **5** were framed to achieve the first objective of this study: to explore the factors affecting the *usage* of Islamic home finance in the UK. Meanwhile, questions **1**, **3**, **6** and **7** targeted the second objective: to explore the prospects for Islamic home finance in the UK. The following sections discuss and analyse the interview questions in two separate parts to illustrate their consistency with these research objectives.

5.1. Data Analysis (Part A)

The first objective of this study was to examine the factors affecting the usage of Islamic home finance in the UK. Questions **2**, **4** and **5** were specifically designed with this objective in mind. The outcome of the data analysis, with respect to these questions, is discussed below.

Beginning with question **2**, the participants were asked to use their experience to express an opinion on the level of awareness of Islamic mortgages. The majority of the interviewees (6 out of 10 participants, 60%) believed that there is not enough, or there is little or no awareness of Islamic mortgages, while 4 out of 10 participants (40%) accepted that there is awareness or at least some. A much firmer view was held by those in the 60% compared to the 40%, as substantiated by the participants' statements.

For example, one participant, who has ten years' experience in this industry, made the following remark on the issue of awareness:

"I haven't come across so many people talking about it. If they don't talk about it, they are not aware of it."

Two other participants held a similar viewpoint:

"No one knows anything (about Islamic mortgages) because there is no advertising as such. People don't know what an Islamic mortgage is."

"If there was any (awareness), then most of my clients would have asked me."

In contrast, the other three participants had relatively soft views as noted from their statements below when expressing their opinion on the level of awareness of Islamic finance:

"I think there are people out there who know (Islamic) mortgages are there."

"The awareness is there."

"A lot more awareness than previously."

When asked to express their views on the competitiveness of Islamic mortgages in comparison to conventional mortgages (question 4), the participants unanimously agreed that the former are more expensive than the latter. It is reasonable to believe that cost is perceived as a major factor affecting the growth of Islamic mortgages in the UK. The participants' responses to the cost issue are illustrated in Table 1 below.

Table 1: Responses Given by Participants (question 4)

Participants	How do you compare the cost of an Islamic mortgage to that of a conventional mortgage?
1	*Islamic mortgages are expensive. There is no comparison (with a standard mortgage). Double the price of an ordinary mortgage.*
2	*I think an Islamic mortgage costs a lot.*
3	*It is a bit more expensive than a conventional mortgage due to the fact that the level of availability is not the same as a conventional mortgage.*
4	*I had one Muslim customer who was moving away from an Islamic mortgage due to the cost factor.*
5	*It (an Islamic mortgage) is not that competitive in contrast to a standard mortgage.*
6	*It (an Islamic mortgage) used to be very expensive; they have lowered it now but it is still expensive.*
7	*Their (Islamic mortgages) standard variable rate is quite high.*
8	*An Islamic mortgage is not very competitive.*
9	*An Islamic mortgage is a little bit more expensive than a normal mortgage.*
10	*Islamic mortgages are much more expensive.*

Besides the expensive monthly payments associated with Islamic mortgages, one of the participants (a property conveyancer qualified to give legal advice) stated that in addition to the finance cost, the customer also has to pay twice the legal fees, thereby making Islamic home finance even more expensive. This factor was also highlighted by another participant who expressed the view that "*Islamic banks have a different underwriting system, different solicitors and a different way of drawing up the contracts, which is quite costly overall.*"

Apart from the above specific questions, when the respondents were asked to highlight any other factors (question 5), a number of patterns emerged from the responses, as discussed below.
One of the important factors that arose from the interviews was the complex and convoluted nature of Islamic mortgages, making them difficult to comprehend and thus impeding their growth. The majority of the participants perceived, in one way or another, that Islamic mortgages are difficult to understand by a vast majority of customers. The following views reflect this pattern.

Table 2: Factors Affecting the Growth of Islamic Mortgages (question 5)

Participants	What are the factors affecting the usage of Islamic finance?
8	*Islamic mortgages are more complicated than mainstream mortgages for the average buyer.*
1	*People think it's a very difficult product and very difficult to understand.*
10	*I think a lot of people don't understand (Islamic mortgages). Maybe the wording has to be a bit clearer for a layman to understand.*

Participants	What are the factors affecting the usage of Islamic finance?
9	*It (an Islamic mortgage) is complicated.*
Pattern	Islamic mortgages are **complicated** for the Muslim community.

Other significant factors emerging from the data point to recurring themes; namely, accessibility, acceptability and affordability being key causes of concern in terms of limiting the growth of Islamic home finance. The respondents' views relating to these factors, and their corresponding patterns, are illustrated in Tables 3, 4 and 5.

Table 3: Factors affecting the usage of Islamic mortgages in the UK (question 5)

Participants	What are the factors affecting the usage of Islamic finance?
2	*There are not enough products available.*
3	*Level of availability is not as prevalent as for conventional mortgages.*
8	*The lack of flexibility of the products.*
5	*There are not many banks offering Islamic mortgages.*
10	*There is only one bank that does it (an Islamic mortgage).*
Pattern	**Accessibility:** the accessibility of Islamic mortgages is restricted by the scarcity of banks offering such products and the relative inflexibility of the products.

Table 4: Factors affecting the usage of Islamic mortgages in the UK (question 5)

Participants	What are the factors affecting the usage of Islamic finance?
3	*The mortgage criteria are tighter than for conventional mortgages.*
4	*It is not easy to get the mortgage in the first place.*
6	*Islamic finance is very difficult to get ... the criteria are very difficult.*
Pattern	**Acceptability**: Islamic mortgages are very difficult to obtain due to the tighter initial criteria applied by Islamic banks.

Table 5: Factors affecting the usage of Islamic mortgages in the UK (question 5)

Participants	What are the factors affecting the usage of Islamic finance?
2	*A major issue is the deposit ... no one can afford to pay a 20% deposit. First-time buyers cannot touch it (an Islamic mortgage).*
3	*Higher deposit.*
1	*They (Islamic banks) are concerned about the initial deposit.*
Pattern	**Affordability**: Islamic mortgages are not affordable to many people due to the requirement for a high deposit and double legal fees to be paid up front.

Based on the outcome of the above analysis, it can be concluded that *cost* emerges as the main factor affecting usage of Islamic home finance. This interpretation is in line with previous research (Cumbo, 2005; Dar, 2004; Hersi, 2009; Tameme, 2009) which also concluded that Islamic home finance products are less cheaper than conventional counterparts and that higher cost is one of the key issues for the low uptake. The findings also reveal that the higher deposit required is an added factor making Islamic mortgages inaccessible and unaffordable for many potential customers. These findings support the view of Hersi (2009) who concludes that Islamic finance caters predominantly for the rich and that it is neither affordable nor accessible to less affluent Muslims, and also confirm Tameme's (2009) study which found that the greatest concern for UK's Muslims was to arrange the initial deposit payment.

Moreover, the results also reveal that lack of awareness is the second most important factor impeding the development of Islamic mortgages in the UK. This corroborates the findings of Tameme and Asutay (2012) but, at the same time, contradicts the ICD Thomson Reuters Islamic Finance Development Report (2014) which awarded UK the highest ranking among any other non-Muslim-majority country, scoring particularly strongly in the Islamic knowledge (education and research) and awareness categories (an index value of 16.2). The lack of awareness could also be attributed to the withdrawal of two major high street banks, HSBC and Lloyds, from the Islamic mortgage market as such well-reputed banks are the most effective conduit for raising awareness. This move has severely damaged the marketing and advertising of Islamic mortgages to a large extent and left this sector at the mercy of small banks. Indeed, the Islamic mortgage has become a niche product which has led to the lack of accessibility of wide-ranging and innovative Islamic mortgage products.

The findings indicate another factor; the strict and tighter criteria (acceptability issues) associated with Islamic home finance. This can be attributed largely because of the shortage of liquidity and careful risk appraisal. Unlike conventional banks that merely lend out cash by borrowing it from the wholesale money market, the cash for Islamic mortgages comes from depositors' savings, and Islamic mortgages are always asset-backed. Therefore, as a partner rather than merely a lending institution compels Islamic banks to evaluate risks more deeply and carefully, and to closely oversee the utilisation of funds by borrowers for the mutual benefits of all stakeholders (Warde, 2012). This dual exercise of risk assessment by both the financial institution and the borrower injects much better control into the system, and also restrains exorbitant borrowing and funding transactions (Chapra, 2009). This principle has enabled Islamic house finance to be sustainable and this was evident during the subprime financial crisis, when Islamic banks were largely untouched and consequently escaped the ensuing losses (Iqbal & Mirakhor, 2011; Warde, 2012). On the other hand however, strict and careful appraisals have made Islamic mortgages more difficult for those who are potentially interested in them but are unable to meet the Islamic banks' strict criteria.

Another factor, identified during the data analysis, concerned the perception that Islamic mortgages are too complex for UK customers to understand. This conclusion corresponds with the findings of Amin (2017) and Tameme (2009) who also reported that accessing information about housing and the home mortgage process was perceived to be too complicated by the Muslim community (Tameme, 2009), which made Islamic mortgages and their complex structure even more difficult to understand for many Muslims (Amin, 2017). This is particularly correct for Muslim customers in the UK who may not be financially literate. According to a 2015 Muslim Council of Britain report, 26% of Muslims have no educational qualifications. One of the interviewees, who has more than fifteen years' experience in the financial industry, and who is also one of the first 100 people in the UK to obtain an Islamic mortgage, portrayed this situation from his own experience:

"*Some of our community people cannot work out a 20% deposit or yield or anything like this. How can they understand an Islamic mortgage? Someone needs to be reasonably well-educated to understand the structure of Islamic mortgages.*"

To summarise, this section has examined the most important factors affecting the use of Islamic mortgages in the current context, as set out in the first objective of this study. The most important factors which emerged are cost (higher repayments), awareness, affordability (higher deposits, double legal fees), acceptability (tighter lending criteria), accessibility (lack of availability of products and banks) and the Muslim community's lack of understanding about Islamic mortgages.

5.2. Data Analysis (Part B)

The second objective of this study is to explore the perceptions and knowledge of home finance consultants in order to contextualise the prospects for Islamic home finance in the UK. Questions **1**, **3**, **6** and **7** were especially designed to achieve this objective. The first question aimed to ascertain whether the Muslim community provides a sufficient market for Islamic home finance. The majority of the participants (60%) were doubtful about the strength of this market, while 40% believed it to be sustainable.

Question 3 explored the same concept from a different angle by asking whether the respondents' experiences led them to conclude that the religious belief of the customer played an important role when choosing a mortgage. Once again, their opinions were quite consistent with the preceding question. Most (70%) felt that religious belief is not a significant factor in house finance preference. Some of the participants' narrative supports this claim.

"*I've dealt with people of all religions. They are not bothered when it comes to choosing a mortgage. I haven't come across a devout Islamic person who says that he definitely wants an Islamic mortgage*."

"It is up to the customer to choose the type of mortgage they want. Most customers are not fussed in terms of the religious aspect of it. They are more happy with the rate they get ... the most competitive rate. So that is what they look for when it comes to mortgages."

"*Most clients don't distinguish between Islamic and conventional mortgages ... if the Islamic mortgage is easier to get, they'll get it, but overall most of our clients are not that concerned*."
"*It's not like 'Oh, I'm a Muslim and I have got to have that kind of mortgage (an Islamic mortgage*)'."

Two other financial experts simply implied that the religious belief of a customer plays a very minor role when choosing a mortgage.

To explore the prospects for Islamic mortgages from a broader perspective, the participants' opinions were sought on the relevance of Islamic mortgages to other faiths (question 6). Yet again, the majority were opposed to this concept, citing various reasons. For example, one mortgage consultant mentioned the setup and structure of Islamic mortgages as an issue which limits other faiths from embracing them. Meanwhile, another participant commented that from his experience, other religions have no appetite for Islamic mortgages. Sharing similar views, another interviewee also agreed that Islamic finance does not apply to other faiths. His argument was that "*when you say an Islamic mortgage is for an Islamic purpose, then you are limited to the Muslim market*". In contrast, two other experts shared the view that Islamic mortgages are 100% relevant to Muslims only, and people from other faiths are comfortable with standard mortgages.

Interestingly, one participant mentioned one circumstance in which people of other faiths may be interested in Islamic mortgages:

"Sometimes if they (non-Muslims) cannot go to a traditional lender, they choose to go to an Islamic bank as well when they are in desperate need". This respondent's experience had also led him to conclude: *"I have seen cases where the Hindu and Sikh communities take Sharia-compliant mortgages ... they (Islamic banks) are concerned about the initial deposit and will lend to anybody they want".*

His statement implies that non-Muslims are attracted to Islamic mortgages not because of their intrinsic ethical principles but rather on account of a desperate need after their applications for finance have been declined by traditional lenders. Of course, the granting of an Islamic mortgage still depends on a customer being able to afford to pay the required deposit to the Islamic bank. With regard to question 4 and how the participants foresee the future of Islamic mortgages, the responses did not come out in favour of a bright future. The majority of the respondents held a negative view on this issue and the strength of their feelings are reflected in their statements.

"*I heard this idea about ten years ago and everybody was discussing it in the Islamic community. I think it is a dead idea now. I have not seen anyone talking about it ... I don't know why it's not under discussion ... I don't see much future for Islamic mortgages here."*

"*It's not going to develop.*"

"*It looks like it's very vulnerable ... it's going to dry soon.*"

"*Demand is only from devoted Muslims.*"

Another participant also had similar views stating that:

"*The religious factor is only one percent of the Muslim community who want to be Sharia-compliant*" and that "*I don't think there is much demand for Islamic mortgages*".

Nevertheless, the participants who appeared to have a positive view regarding the future of Islamic mortgages did not express their opinion with a great deal of conviction. For example, one participant remarked:

"*There is a demand there; it (Islamic mortgage) can be competitive with high street lenders if it is accessible*". Meanwhile, another participant commented:

"*I expect it to grow slowly, but not massively.*"

Table 6 below paints the overall picture of the participants' perception of the prospects for Islamic mortgages with reference to the second objective of this study.

Table 6: Responses to Questions 1, 3, 6 and 7

Questions		Yes/Positive	No/Negative
1	Does the Muslim community provide a sufficient market for Islamic home finance in the UK?	40%	60%
3	Does the religious belief of a customer play a role when they choose a mortgage?	30%	70%
6	Are Islamic mortgages relevant to other faiths?	30%	70%
7	How do you foresee the future of Islamic mortgages in the UK?	20%	80%

Based on the results highlighted above, it was quite evident that not all the participants displayed a positive attitude regarding the prospects for Islamic mortgages. The findings of this study reveal that the Muslim community does not constitute a sufficient market, disproving the findings of previous studies (e.g. Datamonitor, 2005) which claim that there is a significant demand for Islamic home finance in the UK from a largely untapped market of nearly three million Muslims.

In contrast, this research supports the claim made by Amin (2010a; 2010b) that the market potential is too small; many Muslims either being far too young to need the mortgage products or being too underprivileged to be lucrative clients for Islamic banks. The outcome of these studies can also be linked to Dar's study (2004) which concluded that there is only a 5% devoted demand from the Muslim community for Islamic finance.

The results also suggest that the religious belief of a customer does not play a pre-eminent role when choosing a mortgage. This finding corroborates research carried out by Masood et al. (2009), which found that when selecting a banking service, religion is not as important a factor as the bank's service charges and reputation. In addition, Moore (2013) found that while many Muslims admire the spirit of the law in banning "riba" or interest, they do not tend to follow Sharia'h to the letter, opting instead to use conventional finance, and thereby giving further strength to the findings of this study. Simply put, in matters of family and economic welfare, most people exhibit more concern with their own survival than with religious beliefs.

The findings also reveal that Islamic mortgages are not relevant to other faiths, thus further diminishing the prospects for Islamic mortgages in the UK. Interestingly, such findings contradict the research conducted by the independent firm 2Europe on behalf of Al Rayan Bank which concluded that the vast majority of UK's non-Muslim customers consider that Islamic finance is applicable to all faiths (Al Rayan Bank, 2014), therefore making the UK a broad market for Islamic finance. The findings also contradict Matthews et al.'s (2003) claim that the appetite for Islamic finance could be significantly high, but endorse Dar's (2004) widely held stance that non-Muslims may be a little interested in Sharia'h finance.

Finally, considering the findings with regard to the future scope of Islamic mortgages, the position does not appear favourable. The departure of HSBC and Lloyds from the Islamic mortgage market in the UK further supports these findings, and raises a question about the long-term potential of such a market. Following the departure of these banks, it seems quite unlikely that other large banks will venture into the Islamic mortgage market. In addition, figures released by the UK's first standalone Sharia'h-compliant bank, Al Rayan Bank, show home purchasing finance amounting to £311 million, which is low, considering the bank started its operations in 2004, at the same time as the research firm Datamonitor had projected a multi-billion dollar growth (Datamonitor, 2005). These indications reinforce the belief that the future prospects for Islamic home finance in the UK are limited.

6. CONCLUSION

Islamic finance has undergone rapid growth over the last decade and has become a worldwide phenomenon (Kettell, 2010; Hasan & Dridi, 2011; World Bank, 2015). Indeed, the UK has recognised the significance of Islamic finance and recently founded the UK Islamic Finance Secretariat (UKIFS) to promote London as a hub of Islamic finance. This action has enabled the UK the leading country in Islamic finance across Europe. At a commercial level, Islamic finance has now become a visible part of the UK's economic skyline, surpassing \$5bn assets in 2016 (Burton, 2017). However, in terms of Islamic home purchase finance, the growth of home financing products has been somewhat anecdotal.

In line with the industry perspectives, we observed inconclusive findings from the previous studies which have attempted to assess the potential for Islamic home finance in the UK. Moreover, due to the changing financial and economic conditions, the findings from most of the earlier studies are now in question and the knowledge gap still remains. Therefore, we attempt to fill this gap by involving industry practitioners (mortgage brokers) to obtain industry-driven insights. Our study benefits from in-depth and wide-ranging perspectives to deliver an up-to-date report on (a) what factors currently affect the use of Islamic home finance in the UK? and (b) what are the thoughts and beliefs of industry practitioners/financial consultants regarding the prospects for Islamic home finance in the UK?

To answer the research questions, we employed a qualitative research method. Semi-structured interviews with ten mortgage consultants were completed to explore perceptions of the prospects for Islamic home finance and deepen our understanding of the factors affecting its use. The findings of this study reveal that, although Islamic home finance has been backed by government support for well over a decade, financial institutions have been unable to exploit technological advancement and other advertising tools, and have failed to market it in a manner that explained the product in terms of a beneficial trade-off between ethical and financial considerations. The consequences have been; a failure to create widespread general interest, satisfy specific customer demands or dispel the perceptions that Islamic home finance is uncompetitive, not offering a range of diversified products and being too complex, and these notions have gone unchallenged. Contrary to claims made in previous studies (e.g. Matthews, Tlemsani & Siddiqui, 2003; Tameme, 2009) that there is a significant demand for Islamic mortgages, from Muslims and non-Muslims, this study finds that the UK Muslim community does not presently by itself constitute a large enough market, and Islamic home finance has not proved attractive to other faiths, thereby signifying a limited prospects for Islamic home finance in the UK.

Based on such findings, this study suggests that Islamic banks should not merely rely on the ethical aspects of their home finance products; they should diversify and, particularly with regard to cost, bring their products on par with conventional banks. In addition, the lack of large national banks offering Islamic financial services also limits awareness. Since small Islamic banks in the UK do not benefit from economies of scale, this study recommends that they should use cost-effective, cutting-edge technological platforms to market their products in order to build awareness and to appeal prospective clients.

Although the results of this study lead to a number of useful insights into the future prospects for Islamic home finance and delivers a valuable message to industry practitioners, policymakers, academics and particularly Islamic financial institutions, it is, however, inevitable that its scope has certain limitations, especially with respect to the sample size. Nevertheless, despite this limitation, the sample provided extremely valuable insights as the respondents could be considered the most appropriate participants for a study of this kind. The study may also attract criticism for lacking diversity, as it is based on a certain neighbourhood; East London. Practically speaking, this limitation does not apply to this study as the mortgage brokerage business is field-based and mortgage brokers deal with a very broad clientele across London and beyond. Furthermore, future studies may expand and build on the strength of this study by increasing the sample size and covering other regions of the UK. In addition, it may also be useful for future research to apply a different approach, such as surveys and statistical analyses to generalise the findings.

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