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Madani Q/A Time

21st Q/A

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Question:21.

I am involved in a transport business. Is it lawful to finance a vehicle from the bank or finance company?

Answer:

All praise is due to Allaah as many times as the number of His Creation and May the peace and blessings of Allaah be upon the Final Prophet Muhammad ﷺ, his family and companions, and all those who follow them in righteousness till the Day of Judgment.

Summary:

It depends on the method which you are adopting. If you directly deal with the dealer and shopkeeper with no bank or finance company involved in between then it is lawful as per the Shariah to buy any vehicle or goods on installment provided the total price and duration of payment is fixed in the initial meeting of transaction.

I have mentioned 12 conditions in my book “Islamic Ruling on Buying Products in Installments”. Two conditions are still not being fulfilled in india. Those are:

Video :

<https://www.youtube.com/watch?v=RX5RTKh--SQ>

Book

<https://abmqurannotes.com/wp-content/uploads/2020/05/16.-Uloom-ul-Buyoo.pdf>

1. First Condition: You should directly deal with the dealer and shopkeeper with no bank or finance company involved in between. However in india financiers are found everywhere.

2. Second Condition: It is not permissible for the contract to contain stipulation of a penalty to be paid in the event of delay in payment of

one installment, because that comes under the heading of riba which is haram.

A Comprehensive Answer with Proofs:

Although it is permissible, we should not be too lax on this matter, especially if there is no need for it, because buying by installments means buying with debt, and we should not be too lax when it comes to taking loans; rather we should not seek loans unless there is a need for it and it is essential.

The Prophet (sallallahu alayhi wa sallam) used to seek refuge with Allaah from debt.

Hence no one should buy by installments when he is able to pay the whole price immediately, because then he is getting into debt when he has no need to, and he is exposing himself to danger, because if a person dies in debt he will not be forgiven, even if he dies as a shaheed on the battlefield, until his debt is paid off.

The point is that if you are well off and you do not need the money you have, and you think it most likely that you will not need it in the near future, then it is better for you to pay cash and not to purchase by installments.

Selling in installments means that you get the product sooner and pay all or part of the price later in known installments over a known period of time.

Buying by installments is one of the issues where we should pay attention to finding out the rulings, because it has become very widespread in dealings on the individual and international level after the Second World War.

So companies and corporations buy products from the suppliers by installments, and they sell them to their customers by installments, such as cars, real estate and tools, etc.

One of the things that led to this becoming widespread is the fact that some of the banks also deal in such transactions, whereby the bank buys the product with cash and sells it to its customers by installments.

Ruling on buying by installments:

There is a text which states that it is permissible to buy by installments, which means buying a product and delaying payment.

Al-Bukhaari (2068) and Muslim (1603) narrated from ‘Aa’ishah (may Allaah be pleased with her) that the Prophet (sallallahu alayhi wa sallam) bought some food from a Jew to be paid for later, and put an iron shield in pledge for it.

This hadeeth indicates that it is permissible to make a purchase with delayed payment, and buying by installments is nothing other than buying with delayed payment; all it means is that the price is divided into amounts, each of which must be paid at a certain time.

There is no difference between the shar’i ruling on a case where the whole price is paid later at one time, or where the price is paid later at different times.

Al-Bukhaari (2168) narrated that ‘Aa’ishah (may Allaah be pleased with her) said: Bareerah came to me and said: “I drew up a contract of manumission with my master stating that I would pay nine waqiyaha, one waqiyah each year.” [A waqiyah is a weight of silver etc].

This hadeeth indicates that it is permissible to pay later in installments.

Even though the texts state that it is permissible to delay payment, there is no text which states that it is permissible to increase the price in return for that delay. Hence the scholars differed concerning the ruling on this issue.

Allaah says (interpretation of the meaning): “Allaah has permitted trading” [al-Baqarah 2:275]

The general meaning of this verse includes all forms of trading, which includes increasing the price in return for delaying payment.

Allaah says (interpretation of the meaning): “O you who believe! Eat not up your property among yourselves unjustly except it be a trade amongst you, by mutual consent” [al-Nisa’ 4:29]

The general meaning of this verse also indicates that trading is permissible if there is consent from both parties. If the purchaser agrees to pay a higher price in return for delaying payment, the transaction is valid.

al-Bukhaari (2086) narrated that Ibn ‘Abbaas (may Allaah be pleased with him) said: The Prophet (sallallahu alayhi wa sallam) came to Madeenah when they used to pay in advance the price of fruits to be delivered within two or three years. He said, “Whoever pays in advance the price of a thing to be delivered later should pay it for a specified measure at specified weight for a specified period.”

Bay’ al-salam (forward buying) is permissible according to the texts and scholarly consensus, and it is akin to purchase by installments. The scholars mentioned that the wisdom behind it is that it benefits the purchaser by reducing the price and the vendor by bringing him money sooner. This indicates that something may be added to the price in return for delaying payment, and that there is nothing wrong with this when buying and selling.

See al-Mughni, 6/385.

The actions of the Muslims indicate that it is permissible to increase the price in return for delaying payment, and none of them denounced that. So it became like consensus (ijma’) that this kind of transaction is permissible.

Shaykh Ibn Baaz was asked about the ruling on increasing the price in return for delaying payment, He said:

“There is nothing wrong with this transaction because paying cash for the product is different from delaying payment. The Muslims are still doing such transactions and this is like consensus that it is permissible. Some scholars held an odd opinion and said that it is not permissible to increase the price in return for delaying payment, and they thought that this was a kind of riba, but this is a baseless view. It is not a kind of riba at all, because when the dealer sells the product to be paid for later, he agrees to the delay so that he may benefit from the increase in price, and the purchaser agrees to the increase so that he may take his time and because he is unable to pay the price in cash on the spot. So both of them benefit from this transaction. There is a proven report from the Prophet (sallallahu alayhi wa sallam) which indicates that this is permissible; he commanded ‘Abd-Allaah ibn ‘Amr ibn al-‘Aas (may Allaah be pleased with him) to equip an army and he was buying one camel for two camels, to be handed over at a later date. Moreover this transaction comes under the general meaning of the verse in which Allaah says (interpretation of the meaning): “O you who believe! When you contract a debt for a fixed period, write it down.” [al-Baqarah 2:282] This transaction is one of the permissible kinds of debt that are mentioned in this verse; it is also akin to forward buying (bay’ al-salam).” [Fataawa Islamiyyah, 2/33]

It says in a statement of the Islamic Fiqh Council on the topic of selling by instalments:

The Islamic Fiqh Council, in its sixth conference that was held in Jeddah in the Kingdom of Saudi Arabia, 17-23 Sha‘baan 1410 AH/14-20 March 1990 CE, after studying research papers that were submitted to the Council on the topic of selling by instalments, and listening to the discussion that took place on this topic, has determined the following:

1. It is permissible to increase the price to be paid later in relation to the price to be paid on the spot; it is also permissible to state the price if paid immediately, and the price to be paid in instalments at specific intervals, but the sale is not valid unless the two parties both state definitively whether the deal is based on immediate payment or deferred payment. If the agreement to the transaction is done with uncertainty or hesitancy as to whether the deal is based on immediate payment or deferred payment, in the sense that there is no agreement on a fixed price, then it is not permissible according to Islam.
2. It is not permissible, according to Islam, in the case of deferred payment to include in the contract a figure reflecting interest to be paid on the instalments that is listed as a separate figure from the price if payment is made immediately, in such a way that it is connected to the timescale, regardless of whether the two parties agreed to a percentage of interest or they connected it to the current interest rate.
3. If the purchaser delays paying instalments from the time stipulated, it is not permissible to compel him to pay any additional amount to the debt he owes by prior stipulation or without prior stipulation, because that is riba, which is prohibited.
4. It is haraam for a borrower who is well off to delay payment of instalments that have become due, but at the same time it is not permissible, according to Islam, to stipulate that compensation be paid in the event of delayed payments.
5. It is permissible, according to Islam, for the seller who is selling by instalments to stipulate that payments be brought forward from the

due dates if the borrower delays making some payments, so long as the borrower has agreed to this condition at the time of the contract.

6. The seller does not have the right to retain possession of the sold item after it has been sold. But it is permissible for the seller to stipulate that the purchased item be held in pledge with him so as to guarantee his right to payment in full of the remaining instalments.

End quote from Majallat al-Majma' (issue no. 6, vol. 1, p. 453)

In simple terms, If the bank or the financier gives the money to the entrepreneur to buy his equipment on the basis that he will pay the money back with something extra, then this is a riba-based loan which is haraam, whether the money is paid in the form of cash, cheques, vouchers or anything else. But if the bank or the financier buys part of the equipment for itself, then it resells it for a higher price paid in instalments, there is nothing wrong with that, and it may keep the ownership documents until the borrower has paid off all the instalments. The fuqaha' stated that it is permissible for the item to be held in pledge for its price (until it is paid off).

Conclusion:

It is not lawful to get a vehicle financed by bank on installments, as in this case one will have to pay interest on each installment, which is haram. As it is haram to take interest, in the same way it is haram to give interest too. However, if you buy the vehicle in a way that the bank declares the price of vehicle and the total amount up to the last installment including interest whatever it may be as the total price of vehicle and you buy the vehicle from the bank for the total price and then pay the price in installments, then it shall be lawful. And thus you would be saved from the sin of paying interest.

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