Rules Concerning Ribā

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Q1606. A driver was interested in buying a truck. He approached another person to give him the money. The driver bought the truck in his capacity as agent for the money owner. The latter sold the truck to the driver by installments. What is the ruling in this matter?

A: There is no harm in such a transaction if it was concluded on behalf of the owner of the money, who sold it [the truck] to the agent by installments. That said, both the parties should be serious in making the deal, i.e. their intention should not be to find a way out of ribā.

Q1607. What is ribā? And is the amount calculated as a percentage taken by the people who have deposits with the banks regarded as ribā?

A: As an expression, a ribā-bearing loan involves paying an extra amount by the borrower to the lender. The profits arising from the investment of the money deposited with a bank for safe keeping, which is used by the bank on behalf of the saver by virtue of an Islamic contract, is not considered ribā and, thus, is not problematic.

Q1608. What are the boundaries of ribā-based transactions? And is it true that ribā is confined to loans?

A: Ribā can arise from selling and buying in the same way it may arise from a loan. Ribā arising from a sale transaction is to sell an item — normally sold by weight/ volume — in exchange for something of the same category in Islamic law plus extra.

Q1609. In as much as it is lawful for a person, in an emergency, to eat the meat which is not ḥalāl, is it permissible for a person, in a similar situation, to deal in ribā-based transactions to make a living?

A: Ribā is ḥarām. Eating non-ḥalāl meat, in an emergency, is different because the person who is forced to eat the meat has no other source to continue to live.

Q1610. In the open market, postage stamps are sold for more than their nominal value. Is such sale valid?

A: There is no harm in it. Such an increase is not considered ribā. That is because usurious transaction is the one in which two things — normally sold by the weight / volume — are exchanged and one of them is more than the other. This kind of transaction is invalid.

Q1611. Is ribā ḥarām across the board, i.e. for all legal/personal entities, or are there special cases?

A: Generally speaking, ribā is ḥarām, except for a ribā-bearing loan between a father and his child, between a man and his wife, and that taken by a Muslim from a non-Muslim who is not dhimmī.

Q1612. A deal was concluded between two people at a given price. However, both parties agreed that the buyer should pay an extra amount over the specified price if he wrote a post-dated check. Is this permissible?

A: If the deal was concluded at a given price and the extra amount was for the delayed payment to settle the original amount, such an increase is ribā which is unlawful. Nor can it be ḥalāl because the parties agreed to it.

Q1613. Suppose a person is in need of a loan. They cannot get a ribā-free loan. Is it permissible for them to, for example, buy goods on credit and sell the same to the seller on the spot for a cash price that is less than the original price of the goods?

A: This type of transaction is nothing but a play to circumvent a ribā-based loan transaction. It is both ḥarām and invalid.

Q1614. In order to escape the involvement in a transaction that is based on ribā, and get returns for my money, I bought property for a particular price. The real value of the property was much higher. I agreed with the other party that if they changed their mind and wanted to withdraw from the deal within five months of the sale, they may do so provided that they return the money I parted with as a price for the property.
Having concluded the sale, I rented out the same property to the seller for a given rent. Four months later, I came across verdict by the late Imam Khomeini which makes such type of transactions unlawful. What is the ruling in your opinion?

A: If the two parties were not serious in the entire business, in that it was just a formality to allow the seller to get the loan and the buyer the returns on his money, such a transaction, which is to circumvent the issue of a ribā-bearing loan, is both ḥarām and invalid. In such transactions, the buyer has the right to retrieve only the original amount he paid as a price for the property.

Q1615. What is the ruling in the matter of adding an extra amount to the money with a view to avoiding the involvement in ribā taking?

A: It does not affect the ruling of a ribā-bearing loan. It is not going to be deemed ḥalāl by adding an extra amount to it.

Q1616. Is there any problem in receiving an old-age pension from the state, after years of contributions deducted from the wages of the employee during his long years of service? It is to be noted, however, that what the person receives as pension is not only the contributions he made during his service, rather an amount increased by way of government contribution.

A: There is no problem in receiving the pension. The extra amount paid by the government to the pensioner over and above what he has contributed is neither interest nor ribā.

Q1617. Some banks give some house owners a loan — named ju'ālah — to refurbish their property. The recipient of the loan has to pay it back plus an extra, within a given period, by installments. Is such borrowing shar'ī? And how can one call it ju'ālah?

A: If the advance payment is made as a loan to the house owner for refurbishing his property, giving it the label of "ju'ālah" does not make sense. It is, therefore, not permissible to pay back more than the actual amount of the loan, although in essence giving the loan is in order.
But, there is no objection if the house owner compensate [to make a compensation (ju'l)] to the bank as the bank has refurbished his house. This compensation is not equal to what the bank has paid for the refurbishment but the whole amount the bank receives by installments in return for refurbishment.

Q1618. Is it permissible to buy goods by installments for a price that is higher than the cash price? And does this amount to ribā?

A: There is no objection to selling and buying goods by installments for more than the cash

price. The difference is not considered ribā.

Q1619. A person sold some property by way of a revocable sale. However, he could not return the money to the buyer so that he could revoke the deal. A third person paid the money so that the seller could revoke the transaction on the condition that he would get his money back plus an extra amount in the form of a compensation for his work. What is the ruling in this matter?

A: There is no harm in what the third person did if he acted as an agent for the seller insofar as returning the money to the buyer and revoking the transaction are concerned. However, this should be done by lending the seller the amount to be returned to the buyer, then paying the same to the latter and revoking the transaction on behalf of the seller. There is also no harm in receiving the extra money for acting as an agent. However, if the amount the third person paid to the buyer had been in the form of giving a loan to the seller, he has no right to demand from the seller anything more than what he actually paid.