

Series of Questions Addressed to Eminent Scholar Ata Bin Khalil Abu Al-Rashtah,
Ameer of Hizb ut Tahrir through his Facebook Page (Fiqhi)

Answer to Question:

**What the Islamic Banks Call it Murabaha
and the Shari Ruling Regarding it**

To: Ashraf Abdul Halim Teiti

(Translated)

Question:

Assalamu Alaikum, We know that Murabaha as a concept is permissible according to Sharia, but I believe that the current reality of Murabaha in Islamic banks is contrary to the Sharia, especially with our people here in Palestine, where the customer specifies the commodity with the merchant and agrees with him on the price and concludes an agreement with the bank and the bank buys the commodity and delivers it to the customer and the bank mortgages the commodity, whether an apartment, a car or otherwise. Its ownership is transferred after paying the amount equal to the price of the commodity plus an amount or percentage determined according to the payment period, and the bank considers the added amounts as transaction costs... Could you please clarify the Shari ruling pertaining such transactions? May Allah bless you.

Answer:

Wa Alaikum Assalam wa Rahmatullahi wa Barakatuh,

Your question includes three things:

First: Murabaha and its ruling...

Second: What Islamic banks call Murabaha...

Third: The issue of mortgaging the purchased commodity...

Here's the statement:

• **With regard to the reality of Murabaha and its ruling, we explained that in the Answer to Question dated 19 Rajab 1434 AH – 29 May 2013 CE, and the following came in the aforementioned answer:**

[... Murabaha in the language means real profit, it is said: I sold the good by Murabaha or I bought Murabaha. In technical terms: for the seller to show the price he bought his products for sale and it should be for a known profit, it is from the Trust Sales because it relies on the trust of the seller in giving the information regarding what he paid for the product. It is allowed in shar' because it is the buying with a profit on top of the cost price that the seller paid when he bought the product. If the seller says I will sell you this product with this much profit of the price that I bought the product for and the buyer is made aware of the price, and he accepts that, this is permitted because it is a known sale] **End.**

• **As for what was mentioned in your question about the so-called Murabaha sale in Islamic banks, we have answered this issue in detail on 24 Rajab 1434 AH – 03 June 2013 CE, and I repeat to you what came in the aforementioned answer:**

[... Islamic banks transactions which are called profit sales are transactions contradictory to the Shari', as highlighted in the following:

First: The bank conducts the contract of sale with the buyer before it buys the car or refrigerator. The Prophet (saw) prohibited selling of that which you do not own, from Hakeem Ibn Hizam, said: قَالَ: فُلْتُ: يَا رَسُولَ اللَّهِ، يَا تَيْبِي الرَّجُلُ يَسْأَلُنِي الْبَيْعَ، لَيْسَ عِنْدِي مَا أُبِيعُهُ، ثُمَّ أُبِيعُهُ مِنَ السُّوقِ فَقَالَ: لَا تَبِيعْ I said: **"O Messenger of Allah, a man comes to me to buy (a product), but I do not have what he asks for, I sell it to him later from the market". He (saw) said: "Do not sell that which you do not own".** [Narrated by Ahmad]

This man asked the Prophet (saw) about the buyer who comes to buy a product from him which he does not have, so he goes to the market and buys it then sells it to him. The Prophet (saw) prohibited him from this unless the product is with him and he presents it to the buyer, if the buyer wishes to purchase or not.

To elaborate further: The one who asks the bank for a financial loan, he will be questioned by the bank for the reasons for borrowing the loan or money. The borrower will say that it is to buy a refrigerator or car or washing machine, the bank will conduct the deal with him to buy the product for him and then sells it to him in instalments for a certain price.

This agreement becomes binding even before the bank purchases the refrigerator for the person; the person cannot back down from buying the refrigerator from the bank, because the agreement with the bank has taken place before the product became the possession of the bank, the contract is conducted before the bank owns the refrigerator.

It is incorrect to say that the bank sells the product to the buyer after the bank have bought it, because the contract between the bank and the buyer was conducted on a binding basis before the bank purchases the product with the proof that the buyer cannot refuse to buy it after it has been purchased by the bank for him, because the contract was conducted on a binding basis before the bank have purchased the product.

If the bank had a warehouse with products e.g. refrigerators inside and it showcases them for the person then he chooses to buy or not just like with any other sellers, then the sale in cash or in instalments is permitted.

Second: It is not permitted to increase the value of the instalments if the buyer delays the payment of one instalment, i.e. the value of the debt increases; because this is Riba and it is called accrued interest (riba an-nassi'a) and this was practiced during the Jahiliya time if the time for payment arrived and the debtor was unable to re-pay due to the assigned date and the increase in debt which Islam came to prohibit absolutely, and granted the debtor who is facing hardship no increase in the value of the debt **﴿وَإِنْ كَانَ ذُو عُسْرَةٍ فَنَظِرَةٌ إِلَىٰ مَيْسَرَةٍ وَأَنْ تَصَدَّقُوا خَيْرٌ﴾**

﴿وَأِنْ كَانَ ذُو عُسْرَةٍ فَنَظِرَةٌ إِلَىٰ مَيْسَرَةٍ وَأَنْ تَصَدَّقُوا خَيْرٌ﴾ **“And if someone is in hardship, then [let there be] postponement until [a time of] ease. But if you give [from your right as] charity, then it is better for you, if you only knew”** [Al-Baqara: 280]

According to what is mentioned above, this transaction with the bank is not allowed] End.

• **With regard to the issue of mortgaging the purchased commodity until all installments are paid, we have answered that on 06 Sha'ban 1436 AH - 24/05/2015 CE in a detailed answer, which states:**

[... This issue is known in Fiqh as “Withholding the Product (as a Collateral) for its Price” i.e. that the product to be sold will be kept as a security with the seller until the buyer pays its price. This situation does not arise if the seller and buyer were of the character that the Prophet (saw) described in the Hadeeth extracted by Bukhari on the authority of Jabir Ibn

Abdullah (ra): «رَحِمَ اللهُ رَجُلًا سَمَحًا إِذَا بَاعَ، وَإِذَا اشْتَرَى، وَإِذَا اقْتَضَى» **“Allah’s mercy is on the well-mannered man when he sells, buys, and take a loan”**.

Whereas sometimes they differ around receiving the product first or payment first, and the seller might withhold the product as collateral until he receives its price, thus giving rise to this situation. The Fuqaha differed regarding this issue, some permit it on conditions, and other say it is prohibited, and there are some who permit it in some cases and prohibit it in others... and so on.

After studying this issue my view is inclined towards the following:

First: Type of product

1. That the product is measurable, weighed, or planted...etc. like the sale of rice, cotton, textiles...etc.
2. That the product is not measurable, weighed...etc., like selling of a car, house, or animal...etc.

Second: Sales Price

1. Up-front i.e. in cash, like buying a product for ten thousand in cash up front.
2. Deferred payment for a given period, like buying the product for ten thousand but is paid after a year.
3. That some of the payment is paid up-front and the other part is deferred, like buying the product with the first payment of five thousand, and the other five is paid after a year for example, or is paid in monthly installments.

Third: The Shariah ruling differs according to how the above matters differ:

The first case: The product is not measurable and not weighted... such as the selling of the house or a car or an animal:

1. The up-front payment, like buying a car for ten thousand in cash, and that it is documented in the contract.

In this case, the seller may withhold the product, which remains with him as a collateral until the up-front payment is made according to the contract. The evidence for this is the Hadeeth narrated by Tirmidhi which is classified a Hasan Hadeeth. On the authority of Abi Umamah, he said: I heard the Prophet (saw) say in the sermon in the Farewell Pilgrimage: «العَارِيَةُ مُؤَدَّاءٌ، وَالرَّعِيمُ غَارِمٌ، وَالذَّيْنُ مَقْضِيٌّ» **“What is borrowed is rendered, and the guarantor is responsible, the debt is paid.”**

Zha’eem: guarantor, Gharim: liable, and the evidence is in his (saw) saying:

«وَالذَّيْنُ مَقْضِيٌّ» **“the debt is paid”**. If the buyer receives the product prior to paying the cost, it is buying on loan. And «وَالذَّيْنُ مَقْضِيٌّ» **“the debt is paid”** i.e. the priority is to pay the debt as long as long as the purchase is in cash, in other words to pay the price first as long as the price in the contract must be in cash up front ... Al-Kasaani says in Bada’i As-San’i commenting on the Hadeeth (his saying (peace be upon him) «وَالذَّيْنُ مَقْضِيٌّ» **“the debt is paid”**, the Prophet (peace be upon him) described the debt of being paid in general or Mutlaq, if the payment is delayed for the delivery of the product then this debt is not paid). This is contrary to the text.

Thus it is permissible for the seller to withhold the product until the buyer pays its price, and so there will be no debt, and this is in agreement with the contract because the sale was not by debt but in cash.

2. The price is deferred, in the case of buying a car with ten thousand which is paid after one year; in this case it is not permitted to withhold the merchandise until the completion of the payment of the price because the price is deferred in the contract by the seller's approval. He is not permitted to withhold the product to ensure the price payment as long as he had sold it for a deferred price, so he annulled his right to withholding the product, and therefore it is not permissible for him to withhold the product, but should deliver it to the buyer.

3. The price can be both up-front and deferred, like buying the car with the first five thousand paid off in cash, and the other five thousand paid after one year at once, or paid later in installments.

In this case it is allowed for the buyer to withhold the product until the up-front payment is received, after which he is not permitted to withhold the product, because of the completion of the deferred payment, this is for what we mentioned in the points 1 and 2.

In conclusion, it is permitted for the seller to withhold the product for the up-front price payment, i.e. if in the contract it stipulates that the payment is up-front and immediate, it is permitted for the seller to withhold the product until the buyer pays off the up-front cost payment according to the contract.

It is incorrect to ask how the buyer will withhold his product before receiving it, i.e. before he owns it. This is because to hold a product as collateral (Rahn) is not allowed except if it is allowed to be sold. Since the product bought is not allowed to be sold except after receiving it according to the Hadeeth of the Prophet (saw) narrated by Al-Bayhaqi, from Ibn Abbas who said:

The Prophet (saw) said to l'taab Bin Usaid: « إني قد بعثتك إلى أهل الله، وأهل مكة، فاتهم عن بيع ما لم » «I have sent you to the people of Allah, and the people of Makkah, forbid them from selling that which they did not receive»

And the Hadeeth that was narrated by At-Tabarani from Hakeem Bin Hizam that he said: O Messenger of Allah I sell using various transactions, which is permissible for me and which is prohibited? He (saw) said: « لا تبيعن ما لم تقبضن » **“Do not sell that which you do not receive.”**

These Hadeeths clearly state the prohibition of selling that which is not received, how is it then that the product is kept as collateral before it is received?

This is incorrect because these two Hadeeths are for the products which are measured and weighed... but if the product is other than that like a house or an animal, then it is allowed to sell it before receiving it based on the Hadeeth of the Prophet of Allah (saw) narrated by Bukhari from Ibn Umar (ra), he said, « فَكُنْتُ عَلَى بَكْرِ صَعْبِ لِعُمَرَ، فَكَانَ يَغْلِبُنِي، فَيَتَقَدَّمُ أَمَامَ الْقَوْمِ، فَيَرْجُرُهُ عُمَرُ وَيَرُدُّهُ، ثُمَّ يَتَقَدَّمُ، فَيَرْجُرُهُ عُمَرُ وَيَرُدُّهُ، فَقَالَ النَّبِيُّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ لِعُمَرَ: «بِعْنِيهِ»، قَالَ: هُوَ لَكَ يَا رَسُولَ اللَّهِ، قَالَ: «بِعْنِيهِ» فَبَاعَهُ مِنْ رَسُولِ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ، فَقَالَ النَّبِيُّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ: «هُوَ لَكَ يَا عَبْدَ اللَّهِ بْنِ عُمَرَ، تَصْنَعُ بِهِ مَا شِئْتَ» **“We were travelling with the Prophet ﷺ, I was riding a rebellious camal's calf that belonged to Omar, I could not control it, it would precede the lines of, then Omar would yell at it and push it back, this was repeated, then the Prophet ﷺ said to Omar: “Sell it to me”. So Omar said, “It is yours O Prophet of Allah,” then I said to the Prophet ﷺ: “Sell it to me” so He ﷺ did. The Prophet ﷺ said, “It is yours O Abdullah Ibn Omar, do what you please with it”.**

This action in the merchandise was as a gift before receiving it, which shows the full ownership of the product before receiving it, and shows that selling it is permitted because it was owned by its seller.

Hence it is allowed to hold a product as a collateral before receiving it (cost payment), as long as it is allowed to be sold before receiving it, but this is only if the product is non-measurable or weighed like a house, a car, an animal, and so on. In case of conducting a purchase contract of up-front payment or there is a sum of advanced payment, then it is allowed to withhold the product as a collateral until receiving the price, until the up-front payment or the lump sum of the up-front payment is paid.

The Second Situation: the product is from the measurable and weighed category, like buying amounts of rice, cotton, or textiles, in this situation, it is prohibited to withhold the product for its price, whatever the nature of the payment of the price may be: up-front or postponed, or deferred payment in a lump sum or in installments:

If the price is up-front payment, it is prohibited to withhold the product as we explained above.

If the price should be paid in advance, it is not allowed to withhold the product, i.e. to hold it as collateral, because it is not allowed to hold the measured or weighed products as a security before receiving the price, according to the above-mentioned Hadeeth of the Prophet (saw). In the case of the up-front payment, the buyer has to deal with it in two ways:

Either to sell the goods in advanced payment and give it to the buyer and have patience with the buyer, whether he gives the price in advance or after a while without holding the goods as a collateral... or not to sell the goods, i.e. without any collateral for the merchandise.

Thus if the measurable or weighed products are sold for the up-front payment or deferred payment, it is not permitted for the seller to withhold the goods as a collateral with him until the payment of the price.

This is what I think is most preponderant and Allah Knows Best and is Most Wise] **End.**

With all this, the answer to your question has been completed, and Allah is the Grantor of success.

Your brother,

Ata Bin Khalil Abu Al-Rashtah

12th Muharram 1442 AH

31/08/2020 CE

The link to the answer from the Ameer's Facebook page:

https://www.facebook.com/HT.AtaabuAlrashtah/posts/2729514000627940?_tn_ =K-R-R