

Q: (4): (a) Can the Finance Company take loans from an Insurance Company?

(b) Can the company take loans from any other Company or private person owning money?
Amounts forwarded are invested as above in No.1 and No.2.

(c) These creditors are given commission / part profit of the partnership contract. Is this permissible?

A: The Finance Company can take a loan from any individual or Institution, but it should be free of any interest charged thereon. If the commission to be given on a loan is fixed in relation to the principal amount, it will be interest no matter whether it is charged under the name of interest or under the name of commission, but if money is given on the condition that any profit accruing on that amount after investing it in a Commercial Enterprise shall be distributed between the Financer and the client, it will be partnership or Musharakah, agreement which is permissible in Shariah.

Contemporary fatawaa