INTEREST IN A NON-MUSLIM COUNTRY

Q: 16- (1): "The Finance Company is asked by clients for Machinery, Cars, Equipment etc on credit. Can it purchase these and other items by cash or credit and then sell them at either 20%, 30% or 40% profit in conformity to payment periods and mutual agreement? Is the above form of contracts permissible or not? The above stated percentages of profit are to be paid in cash by the client while the balance is paid over agreed terms. (Y. Loonat, Mozambique)

A: The proposed transaction is called Murabahah and it can be permissible in Shariah subject to the following 192 conditions:

1. The machinery or equipment etc. should first come into ownership and possession of the Finance Company and should remain in its risk for a certain period, then it should be sold to the client. It will not be permissible to give the client the amount of purchasing price by which he himself purchases the equipment for himself and it is presumed that the Financial Company has sold it to the client.

2. The price on which the commodity will be sold to the client as well as the period of payment should be fixed without any ambiguity.

3. Once the price is fixed it will not be changed due to any delay in the payment by the client.

Contemporary fatawaa