110938 - Forms of receiving [money, in a transaction] include cheques, bank transfers and depositing of money in the [seller’s] account

the question

We are businessmen in an Arab country, and we deal with some European countries. In order to buy goods from these countries, we have to buy euros, but the state in which we live does not allow us to leave the country with euros, except for a very small amount that is not enough to pay for our purchase of goods there. This forces us to buy currency there in Europe, meaning that we pay dinars in our country before we leave, then later on we collect the foreign currency over there, in the country to which we travel when we want to buy goods. Other people pay bribes at the checkpoints in the airport in our country so that they will let them take the foreign currency abroad, but sometimes they are arrested, the money they have with them is confiscated and they are forced to pay a huge financial penalty. Is buying foreign currency in this way in order to avoid paying bribes and levies (mukoos) regarded as permissible or not? We do not have any other solution.

Detailed answer

Praise be to Allah.

Firstly:

Trading in different currencies is called exchange, and in order for it to be permissible it is stipulated that the exchange takes place on the spot, because the Prophet (blessings and peace of Allah be upon him) said: “Gold for gold, silver for silver, like for like, same for same, hand to hand. But if these commodities differ, then sell as you like, as long as it is hand to hand.” Narrated by Muslim (1587).

Cash currencies take the place of gold and silver, so when buying one currency with another, that

must be done “hand to hand.” This is what the fuqaha’ describe as “exchanging commodities in the same meeting as that in which the deal is done (meaning: on the spot).” In other words, it is not permissible for the seller and purchaser to part before each one receives the amount of currency that has become his through this deal.

Shaykh Ibn Baaz (may Allah have mercy on him) said: Buying and selling currencies is permissible, but it is stipulated that the exchange be done hand-to-hand if the currencies differ. So if someone sells Libyan currency for American or Egyptian or any other currency hand to hand, there is nothing wrong with that, such as if he buys dollars with Libyan currency hand to hand, so he takes [the dollars] from him and hands over [the Libyan currency] on the spot, or he buys Egyptian or British or any other currency with Libyan currency or any other, hand to hand, there is nothing wrong with that. But if the exchange is to be done at a later date, that is not permissible. The same applies if the exchange does not take place in the same meeting – it is not permissible, because what you describe in the question is regarded as a type of riba-based transaction. So it is essential that the exchange be done on the spot, hand to hand, if the currencies are different. But if they are of the same type, then there are two conditions which must be met: the amounts should be equal and the exchange should take place on the spot, because the Prophet (blessings and peace of Allah be upon him) said: “Gold for gold, silver for silver…”

The ruling on currencies is the same as the ruling on gold and silver: if they differ, then it is permissible for their amounts to differ, but the exchange must take place on the spot. If they are of the same type, such as dollars for dollars or dinars for dinars, then the exchange must take place on the spot and be of equal amounts. And Allah is the source of strength."(*Majmoo‘ Fataawa Ibn Baaz* 19/171-174).

Receipt of payment may take several forms, including: cheques, bank transfers and depositing in the [seller’s] account.

A statement was issued by the Islamic Fiqh Council belonging to the Muslim World League during its eleventh session, in which it says:

After studying and researching, the Council reached consensus on the following:

1.. Receipt of the cheque takes the place of receipt of the money when the necessary conditions are met regarding exchange of currencies through bank transfers.

2.. The recording of that in the bank’s records comes under the same ruling as receiving the money for one who wants to exchange one currency for another, whether that is on the basis of cash that the person brings to the bank or money that is already in his account. End quote.

The scholars of the Permanent Committee for Ifta were asked:

What is the ruling on money that is exchanged from one currency to another? For example, I receive my salary in Saudi riyals and I exchange it for Sudanese pounds; please note that one Saudi riyal equals three Sudanese pounds. Is this riba?

They replied:

It is permissible to exchange the currency of one country for the currency of another country, even if the two amounts differ, because of the difference in type, as in the example mentioned in the question. But that is subject to the condition that the exchange take place on the spot. Receiving a cheque or a bank transfer note comes under the same ruling as receiving the money on the spot."(*Fataawa al-Lajnah ad-Daa’imah* 13/448).

If you pay the dinars in a bank in your country, and they give you a cheque or a transfer for the equivalent amount in euros, there is nothing wrong with that.

Similarly, if you give the dinars in your country to someone who will put them in your account overseas at the same time, in the equivalent amount in euros, this is also permissible.

Secondly:

It is not permissible to charge levies on goods, cash or anything else. The individual has the right to try to avoid that by giving some of his money and he should not fall into riba in order to avoid that.

We have previously discussed the issue of paying bribes in order to avoid injustice or to obtain one’s rights, in the answer to question no. 72268 .

And Allah knows best.