117761 - Ruling on tawarruq involving metals via al-Jazeera Bank

the question

We want Al-jazeera bank to finance us by using our property as a guarantee. They evaluate the property and give us 60 to 70% of its value. They finance is by selling metals. We are worried about this, but this is the only bank that accepted to finance us this way. Is this halal or no? They told us that this is a legal way Islamically. They explained that what they do is buying iron for many people and then they receive a permission of them for selling it. We asked for tawrruq involving shares but they said it is not possible to finance properties, and that a religious council supervises the tawarruq that involve metals.

Detailed answer

Praise be to Allah.

If the bank is selling the iron to you, and you yourself are selling it in the market in order to acquire money, then this is tawarruq that is acceptable in sharee'ah. But if you are not selling it yourself, rather you are delegating the bank to sell it, then this is called tawarruq that is organized by the bank, and a resolution of the Islamic Fiqh Council has stated that it is haram. Academic research by a number of specialists has also shown that this transaction is haram. For a detailed discussion of that, please see the answer to question no. 98124.

Dr. Muhammad al-'Usaymi (may Allaah preserve him) was asked about the ruling on financing involving metals with the al-Jazeera Bank.

He replied: I do not think that tawarruq involving metals is permissible unless the customer actually takes possession of them, then sells them to someone other than the dealer from whom the bank bought them. If all of that is not done, then it is not permissible. End quote.

The prescribed alternative is to purchase real goods from the bank, such as cars and so on, which

the bank takes possession of and brings to its own location, then the bank sells them to you, and you go and sell them in the market after that in order to obtain cash.

And Allaah knows best.