146058 - Selling products by instalment for the cash price through the bank

the question

Here one company offering installment for their product for the price of cash. Means if a item is SR 3000, we have to pay SR 250 per month. No extra charge. But the installment is offered through one bank which is not islamic. (Bank will buy the item from the company & sell it to us & we have to pay monthly amount to Bank) My question is it halal to take such installment from from bank. Is it permissible to take money from bank which is dealing in RIBA?.

Detailed answer

Praise be to Allah.

Bringing the bank into this transaction must involve one of three possibilities:

1.The bank is the means of purchasers' payments reaching the company, so the purchaser pays what he owns through it (the bank), and the bank is not asking for it or selling anything to him. In this case the bank is acting as an agent of the company in collecting the instalments. There is nothing wrong with this.

2.The bank is selling, in the sense that it purchases the product first from the company, then it sells it to the customer. This is permissible subject to three conditions:

a.that the bank buys the product before selling it to the customer;

b.that it does not sell it on the premises of the company; rather it should move it to its own premises or to another place, because of the report narrated by al-Daaraqutni and Abu Dawood (3499) from Ibn 'Umar (may Allah be pleased with him) who said: I bought some olive oil in the marketplace and when it came into my possession I was met by a man who offered me a good profit for it, and I wanted to make a deal with him, but a man behind me took hold of my arm. I

turned around and saw that it was Zayd ibn Thaabit. He said: Do not sell it where you bought it until you take it to your place, for the Messenger of Allaah (blessings and peace of Allah be upon him) forbade selling goods where they were bought, before the merchants moved them to their places. This hadeeth was classed as hasan by al-Albaani in Saheeh Abi Dawood.

c.That there should be no stipulation of a “late payment penalty” in the event of any delay in paying off instalments.

3.The bank is financing the customer. If the bank is not taking any interest from him, then this is a qard hasan (goodly loan) and it is permissible, on condition that no late payment penalty is imposed in the event of any delay in repayment, because late payment penalties are riba, which is haraam.

For more information please see the answer to question no. 126950.

To sum up: it is essential to know the nature of the bank’s involvement in this transaction and to pay attention to the conditions that we have mentioned. Then, if the transaction is halaal, it will not matter if the bank deals with riba -- because the Prophet (blessings and peace of Allah be upon him) used to deal with the Jews, who consume riba -- so long as the dealings with them do not go beyond the bounds of what is permissible.

And Allah knows best.