147783 - Ruling on working in a debt purchasing company

the question

Is it permissible for a Muslim to work in a company that specializes in purchasing overdue debts and making a profit from them? The debts could be anything from credit cards and loans to telephone bills.

Detailed answer

Praise be to Allah.

Buying debts from their creditors for an immediate price that is lower than the value of the debt comes under the heading of haraam riba-based transactions. It combines riba al-fadl with riba an-nasee'ah, so it is the sale of a debt for cash of a different amount with a delay in payment. Al-fadl means that the debt is greater than the amount of money paid and an-nasee'ah means that payment is delayed until the time the debt becomes due.

There is also another problem that makes this transaction haraam, which is ambiguity. There is no certainty that you will be able to collect the debt that is owed, so it is something unknown, and the Prophet (blessings and peace of Allah be upon him) forbade ambiguous transactions, as was narrated by Muslim (1513) from the hadeeth of Abu Hurayrah (may Allah be pleased with him).

There are fatwas from the scholars and resolutions of fiqh councils stating that this transaction is haraam.

1.

The scholars of the Standing Committee for Issuing Fatwas said:

It is not permissible to buy or sell promissory notes, currently due or deferred, for less or more than the amounts stated in them, because this is regarded as blatant riba, and this transaction combines riba al-fadl with riba an-nasee'ah, both of which are haraam on the basis of the texts (of

the Qur’an and Sunnah). End quote.

Shaykh ‘Abd al-‘Azeez ibn Baaz, Shaykh ‘Abd al-‘Azeez Aal ash-Shaykh, Shaykh ‘Abdullah ibn Ghadyaan, Shaykh Saalih al-Fawzaan, Shaykh Bakr Abu Zayd

Fataawa al-Lajnah ad-Daa’imah, 13/333

2.

It says in the resolution of the Islamic Fiqh Council belonging to the Organization of the Islamic Conference issued during its seventh session:

Selling promissory notes is not permissible according to Islam, because they lead to riba an-nasee’ah, which is haraam.

Reducing the deferred debt in order to expedite payment, whether at the request of the creditor or the debtor (“reduce and pay now”) is permissible according to sharee‘ah. It does not come under the heading of riba that is haraam so long as it is not based on prior agreement, and so long as it is decided between the creditor and debtor. If a third party gets involved, it is not permissible because then it comes under the ruling on selling promissory notes. End quote.

Resolution no. 66/2/7, Majallat Majma‘ al-Fiqh al-Islami, issue no. 7, 2/217. Promissory notes include checks, letters of credit and the like.

3.

In the resolutions of the Islamic Fiqh Council of the Muslim World League, in their sixteenth session, it says:

Secondly, forms of selling debt that are not permissible include:

(a)

Selling debt to the debtor for a deferred price that is greater than the amount of the debt, because

this is a form of riba and is forbidden according to sharee‘ah. This is what is called “rescheduling the debt”.

(b)

Selling the debt to someone other than the debtor for delayed payment of the same type of wealth or otherwise, because this is a kind of selling debt for a debt, which is forbidden according to sharee‘ah.

Thirdly: some contemporary applications in the area of selling debt:

(a)

It is not permissible to sell promissory notes, cheques, letters of credit etc., because that involves selling debt to someone other than the debtor in a manner that involves riba.

(b)

It is not permissible to deal in riba-based promissory notes, whether by issuing them, dealing in them or selling them, because they involve riba-based interest.

(c)

It is not permissible to put debt in the form of documents or contracts and sell them in a secondary market, because that comes under the heading of selling promissory notes etc., which is mentioned in item (a).

Statement no. 89/1/16:

Based on the prohibition of this transaction, it is haraam to work in those companies and institutions that buy people’s debts, whether in the form of checks or letters of credit, or in the form of phone bills and so on.

Those who go against the command of Allah should beware lest some Fitnah (trials and

tribulations) befall them or a painful torment be inflicted on them (cf. an-Noor 24:63).

The one who wants to work in those companies should understand that whoever gives up something for the sake of Allah, Allah will compensate him with something better than it.

Allah, may He be exalted, says (interpretation of the meaning):

“And whosoever fears Allaah and keeps his duty to Him, He will make a way for him to get out (from every difficulty).

3. And He will provide him from (sources) he never could imagine”

[al-Talaaq 65:2-3].

3.

He should strive hard to find halaal work. We ask Allah, may He be exalted, to help and guide him and to make him independent of means with that which He has permitted so that he will have no need of that which He has forbidden.

And Allah knows best.