176025 - Is Extended Warranty Permissible in Islam?

the question

I have a question regarding selling protection on computers for work. My husband just got a job in retail to sell computers and you have to sell 2 year protection for it. He thinks it might be prohibited. I have been selling cell phones with protection for the last 3 years at my job and been told it's permissible.

Summary of answer

Islam permits the sale of products with an extended warranty as part of the original transaction, but purchasing separate warranty coverage is not allowed due to its association with ambiguity and gambling, both of which are prohibited in Islam.

Detailed answer

Praise be to Allah.

Is it permissible to sell products with a warranty?

It is permissible to sell products with a warranty for a specific length of time, and this comes under the heading of a promise or stipulating a benefit for the purchaser, both of which are permissible. (*Al-Hawafiz At-Tijariyyah* by Dr. Khalid Al-Muslih, p. 246)

Is it permissible to raise product prices for extended warranties?

It is also permissible to increase the price of the product in return for an increase in the length of the warranty, as we shall see below in the fatwa of Shaykh Ibn Jibrin (may Allah have mercy on him).

Why separate warranty coverage is prohibited

With regard to selling separate warranty coverage, such as if a person buys a product without a warranty, or he buys it with a warranty that has ended, so he buys a warranty for another period, this is not permissible, because this involves ambiguity and gambling.

In this case, he pays money for which he may or may not benefit from coverage. This comes under the heading of gambling, which is prohibited, and it is the principle on which commercial insurance is based.

Shaykh Ibn Jibrin (may Allah have mercy on him) was asked: What is the ruling on raising the price of a product in return for an extended warranty period?

He replied:

There is nothing wrong with that if it is agreed upon mutually. … As for selling separate warranty coverage, that is not permissible. And Allah knows best.

The difference between extended warranties and separate coverage

The difference between increasing the price of the product in return for extending the warranty, and purchasing separate coverage, is that the warranty in the first instance is connected to the sale transaction, and the basic principle is that things may be overlooked if they are connected to (and secondary to) a transaction in a way that is not applicable in other cases.

Hence the scholars have stated that the ambiguity that is prohibited is that which has to do with the item that is the main subject of the transaction, not things that are connected to (and secondary to) that item.

It says in *Al-Ma`ayir Ash-Shar`iyyah*:

If the ambiguity has to do with the item that is the main subject of the transaction, such as selling crops before they ripen – as opposed to selling the trees themselves – in that case the transaction

is invalid. But if the ambiguity has to do with things that are connected to (and secondary to) the item that is the main subject of the transaction, then it does not affect the transaction, such as selling of the trees with the crops before they ripen, or selling something that has not yet grown along with that which is already there (in the case of crops), or selling the foetus along with the ewe, or selling the milk in the udder along with the ewe – in all these cases, the ambiguity of all of these (secondary) things may be overlooked and it does not affect the transaction.

For more details, please see the following answers: 211456, 13973, 13341.

And Allah knows best.