1839 - Paying “key-money” (money for vacating a property)

the question

In many cities, markets and streets where there are important locations, some tenants willingly give up their tenancies to others in return for a certain amount of money. What is the ruling on this?

Detailed answer

Praise be to Allah.

Firstly, there are four types of transaction that may come under this heading, as follows:

1. Where there is an agreement to this effect from the outset between the landlord of the property and the tenant.

2. Where the tenant and landlord come to an agreement during the period of the tenancy or after it has ended.

3. Where there is an agreement between the tenant and a new tenant, during the period of the tenancy or after it has ended.

4. Where there is an agreement between the new tenant and both the landlord and the first tenant, before the first tenancy expires or afterwards.

Secondly, if the landlord and tenant agree that the tenant will pay a certain amount of money in addition to the regular rent – which in some countries is called a deposit – there is nothing Islamically wrong with paying this amount, provided that it is counted as part of the rent for the agreed period; when the contract comes to an end, this amount is subject to the rulings on rents.

When the rental period comes to an end, and is not renewed explicitly or implicitly – in cases where automatic renewal is provided for in a clause of the lease – it is not permitted to pay this money, because the landlord has more right to the property once the tenant no longer has any right to it.

Fourthly, if an agreement is reached between the first tenant and the new tenant during the period of the tenancy agreement that the former will give up the remainder of his lease in return for a sum of money over and above the regular rent, this transaction is permissible, provided that attention is paid to the terms of the contract drawn up between the landlord and the first tenant, because many rental agreements expressly state that tenants are not allowed to sublet properties to other parties or to accept “key-money” except with the agreement of the landlord. If this is the case, it must be adhered to.

If the agreement between the first tenant and the new tenant is reached after the expiry of the lease, it is haraam to pay key-money, because the first tenant no longer has any rights with regard to the property. And Allaah knows best.