294684 - Ruling on a loan in which it is stipulated that one take out life insurance, if the condition is not implemented

the question

I work in a government institution, which lends us money for various purposes, such as buying a car or buying a house, and deducts an amount from the monthly salary until the loan is paid off, without interest. The problem with the contract that we signed is that it contains a clause called life insurance, even though it is not implemented. I hope that you can explain the ruling on making use of these kinds of loans.

Detailed answer

Praise be to Allah.

There is nothing wrong with borrowing money to buy a car or a house, so long as the loan is a “goodly loan” with no interest (riba) involved, and the lender will be rewarded for that. It is not permissible to stipulate that the borrower take out life insurance, because it is forcing him to do something that is forbidden.

It says in Fataawa al-Lajnah ad-Daa’imah (15/8): Life insurance is a type of commercial insurance, and is forbidden, because of what it involves of ambiguity and deceit, and consuming wealth unlawfully.

‘Abdullah ibn Ghadyaan, ‘Abd ar-Razzaaq ‘Afeefi, ‘Abd al-‘Azeez ibn ‘Abdillah ibn Baaz. End quote.

See also the answer to question no. 30740.

But with regard to your saying that it is not implemented, if what you mean by that is that you can get the loan without taking out life insurance, then in that case there is nothing wrong with taking the loan, and it will not matter that this condition is mentioned in the contract, because what is

prohibited is taking out the insurance, and if you are not compelled to take out the insurance, there is no problem in that case. Here it makes no difference whether the condition is there or not; there is nothing wrong with signing the contract so long as this condition will not be implemented.

We may quote as evidence for that the hadith of ‘Aa’ishah (may Allah be pleased with her), in which the Prophet (blessings and peace of Allah be upon him) said to her, in the story of Bareerah [a slave woman who wanted to buy her freedom from her masters, and sought ‘Aa’ishah’s help in doing so]: “Buy her and stipulate that the wala’ (right of inheritance) will be for them [her masters], for the right of wala’ belongs to the one who manumits (the slave).” So ‘Aa’ishah did that. Then the Messenger of Allah (blessings and peace of Allah be upon him) stood and addressed the people; he praised and glorified Allah, then he said: “To proceed: What is the matter with people who stipulate conditions that are not in the Book of Allah? Any condition that is not in the Book of Allah is invalid, even if a hundred conditions are stipulated. The rule of Allah is more deserving of being followed and the condition stipulated by Allah is more sound. Verily walaa’ (the right of inheritance) belongs to the one who manumits (the slave)” Narrated by al-Bukhaari (2168) and Muslim (1504).

The Prophet (blessings and peace of Allah be upon him) gave her permission to go along with an invalid condition that she would never have to comply with.

Shaykh al-Islam (may Allah have mercy on him) said: A group of people gave a third answer, which was mentioned by Ahmad and others, that the people knew that this condition was not allowed, but they still decided to demand it after the Prophet (blessings and peace of Allah be upon him) had said it was not allowed, so it made no difference whether they stipulated it or not.

And he explained to ‘Aa’ishah: Your agreeing to the stipulation that the right of inheritance would be theirs does not matter. This was not an instruction to stipulate that condition; rather he was giving permission for the purchaser to accept that condition if the seller refused to sell except with that condition. This was by way of telling the purchaser that this condition would not cause any problem for him or her, and that it is permissible for a person to enter into such a transaction. Thus it is permissible to buy something despite the condition stipulated by the seller, and it is

permissible to enter into a transaction with a seller which includes that condition, because no harm will result from that. The same hadith clearly shows that such an invalid condition does not render the contract invalid, and this is the correct view. It is the view of Ibn Abi Layla and others, and it is the view of Ahmad according to the more sound of the two reports narrated from him.

End quote from Majmoo‘ al-Fataawa (29/338).

And Allah knows best.