353992 - Ruling on dealing with a platform for financing through loans, such as the Lendo and Digital platforms

the question

I have a question about platforms for financing through loans, some of which are in accordance with Islamic rulings, such as the Digital platform and the Lendo platform, based on the view of the Shariyah Review Bureau (SRB) in Bahrain, which includes Drs. Al-Muzayni, ash-Shalhoob and al-Qarri. My question is: is the Shariyah Review Bureau (SRB) a reliable source for shar'i verdicts, or not?

Detailed answer

Praise be to Allah.

After checking the website for the Lendo platform, we did not find any details on how they operate, but based on what we did see, we may note the following two points:

1.. The platform buys invoices that are owed by the company that is requesting financing, but there are no details on the website about how that is done, but the basic principle is that buying debts is haraam.

2.. The platform goes and buys whatever product the investor wants, then sells it on credit to the company that is requesting financing, then they sell it on behalf of that company to another trader, so that the company in question can obtain cash.

This comes under the heading of organized tawarruq, which is haraam. Statements on the prohibition of that have been issued by the International Islamic Fiqh Council and by the Fiqh Council belonging to the Muslim World League.

See the answer to question no. 98124 .

Having said this in brief, we cannot give a verdict on what the Lendo platform does, or what the Digital platform does.

We have no information on the standards of the Shariyah Review Bureau (SRB). However, it is known that some shari'ah committees may regard some things as permissible that others regard as prohibited, such as organized tawarruq, mixed shares, stipulating penalties for late payment, turning debt into something else, and so on.

If you want our verdict on what platforms for financing through loans do, then give us details of the way in which they operate. One of the permissible ways is for the platform to sell items on credit to the company that is seeking financing, then the company can sell the items themselves in order to raise cash. This is the kind of tawarruq that is permissible.

The company should not buy a product and give the invoice to the platform to finance it; rather it should make a profit-sharing contract (muraabahah) with the platform, so that the platform will purchase the product for itself, in a valid purchase, then sell it to the company by instalments.

And Allah knows best.