374033 - Ruling on investing in an online store with an unspecified profit

the question

I am living in Germany, and I have found an extra feature on an online marketing website through which one can invest in the website, by sending money and collecting profits from the website. Please note that the profit is not a specified amount. I have read on the website that the rate could be between 10% and 50%. For example, if I send one hundred dollars to the website's account, the next day at a specified time, the website will send a list of items that have been bought and sold through the website, such as clothing or exercise equipment, mentioning the price and the profit. They will work out my share of profit on these items and add it to my account. This process will be repeated daily. I noticed that the profit my friends make is approximately 10% but it is not fixed; rather it depends on the quantity of items sold. Is this regarded as interest or riba?

Detailed answer

Praise be to Allah.

In order for investment in any company, bank or website to be permissible, the following conditions are stipulated:

1.. The field of investment must be known, and it must be known to be permissible. It is not permissible to invest in a company when the nature of its activities is unknown, because the money may be invested in riba or in haraam transactions on the stock exchange and the like, or it may be invested in gambling establishments and bars, or used to trade in prohibited goods.

2.. There should be no guarantee on the capital and the company should not commit to return the capital in the event of loss, unless that loss results from some shortcoming or negligence on their part, which would mean that the company is responsible for the loss.

That is because if the capital is guaranteed, then in fact it is a loan, and any benefits or interest

that come from that is regarded as riba.

3.. The profit should be defined and agreed upon, but it should be defined as a percentage of the profit, not of the capital. So the investor should get one third, for example, or one half or twenty percent of the profits, not of the capital.

It is not valid for the percentage of the profit to be unknown, because that invalidates the transaction according to Islamic teachings.

Ibn Qudaamah (may Allah have mercy on him) said: One of the conditions of mudaarabah (profit sharing) being valid is that the share of the one who is doing the work should be worked out, because he becomes entitled to it if that is stipulated.

Then he said: If it is said: take [the capital] and do business with it and you will have a share of the profit or some part of the profit, that is not valid, because the amount is unknown, and mudaarabah is only permissible if the share is known.

The ruling regarding partnerships is the same as the ruling regarding mudaarabah (profit sharing): it is essential to know the share of the profits of each party. End quote from al-Mughni (5/24-27).

With regard to your saying: “I have read on the website that the rate could be between 10% and 50%”, if what is meant is that this rate is a share of the profits, it does not clearly define the percentage of the profit, and it does not alter the fact that it is unknown. Therefore investing in this website is haraam. If what is meant is that it will be a percentage of the capital, then it is even more clearly haraam, because in that case it is a trick to get a riba-based loan, and is not a true partnership.

And Allah knows best.