40263 - Ruling on “Business” and other scams

the question

A few months ago there appeared a company called “Business” which does a kind of marketing. Its idea may be summed up as follows: a person buys the company’s products – which consists of programs (software), a web site and e-mail – for 99 dollars, and after buying he is given the opportunity to market its products to others in return for a set commission.
Then this person convinces two others to join the program, meaning that they both buy the company’s products, then they will also have the right to attract other marketers in return for commission.
Then each of these also convinces two more people to join, and so on. In this way there will be a network of followers who join the program, like a pyramid.
With regard to the way in which the commission is calculated, the company stipulates that the number of individuals who are attracted through the purchaser (participant) and those under him in the pyramid should be no less than 9 in order to earn the commission. But this is on the condition that the number of members under each of the first two cannot be less than two, and the commission will be $55. The commission is paid for each 9 persons, and each nine persons in the pyramid scheme is called a level.
Because the pyramid may increase in size each time a new level is added to it, this commission increases greatly every time.
So if we assume that the pyramid grows each month, i.e. that each month two people join each person in the pyramid (as is assumed by the company, according to its website), this means that the commission that the member gets will be more than $25,000 in twelve months, and it will keep growing every month.
This is what is so tempting about these schemes. For a small amount of money, no more than $100, the participant can get hundreds or thousands times that amount.
Hence these companies market these schemes with promises of great riches within a short period of time, by developing and increasing the size of the pyramid.
My question: What is the ruling on this operation, especially since it is so widespread and there are

so many different opinions on it?.

Detailed answer

Praise be to Allah.

When discussing these operations which spread quickly and which are very unclear and ambiguous to ordinary people, as well as being very tempting, we must note two points:

1 – The shar'i ruling that is based on the texts and principles of sharee'ah, as well as on a clear understanding of this issue as it is, what it leads to, and what its background is.

2 – We must train ourselves to follow the shar'i ruling and not be deceived by specious arguments.

Since this matter requires lengthy discussion, we will give a brief answer, followed by a discussion of the relevant shar'i principles, then we will answer in more detail.

Brief answer to this question:

Based on the way that this "Business" operation is carried out and what it really is, and what the representatives of this company have mentioned of information and conditions, and the evidence and conditions quoted by those who have discussed it to justify either allowing or disallowing it, and by measuring all of that against the Qur'aan and Sunnah and the shar'i principles concerning transactions, and the views of the scholars, it is clear that this operation is haraam, for a number of reasons, including the following:

1 – This operation is based on gambling and consuming people's wealth unlawfully. It involves deceit and tempting people to earn a lot of money. It exploits their love of accumulating wealth. Allaah says (interpretation of the meaning):

"O you who believe! Intoxicants (all kinds of alcoholic drinks), and gambling, and Al-Ansaab (stone altars for sacrifices to idols, jinn etc), and Al-Azlaam (arrows for seeking luck or decision) are an

abomination of Shaytaan’s (Satan’s) handiwork. So avoid (strictly all) that (abomination) in order that you may be successful”

[al-Maa’idah 5:90]

“And eat up not one another’s property unjustly (in any illegal way, e.g. stealing, robbing, deceiving)”

[al-Baqarah 2:188]

And the Prophet (peace and blessings of Allaah be upon him) said: “Your blood and your wealth are sacred to you as this day of yours in this land of yours in this month of yours is sacred.” Narrated by Muslim, 2137. This analogy in the hadeeth serves to make this prohibition very emphatic indeed.

2 – After a thorough examination of this issue, it is clear that introducing the product – which is software programs, a web site and e-mail – does not change the ruling on this operation, because it is obvious that the product is not what most of those who rush to buy actually want, as is proven from the evidence mentioned in the detailed answer. Introducing this product in this manner makes it even more haraam, because it involves trickery that leads to a haraam transaction which is a kind of gambling.

3 – This operation is unlike the kind of commission that is permitted, in several ways: one has to pay money in order to enter the scheme, unlike the commission that requires no such condition. The purpose is not to sell the product to those who need it, rather the purpose is to build an incentive system. Even if we accept that this is commission, it is still haraam because it involves cheating the purchaser and raising false hopes and being insincere towards him. Based on this, the view of those who permit it on the grounds that it is commission is not correct. Perhaps the reason for that is that this matter has not been described to them as it really is, or the one who issued this ruling did not understand it properly. This ruling is applicable to many kinds of dealings and transactions that occur nowadays in the marketing field.

Those who wish to learn more will find detailed discussion of these points in the detailed answer and in the discussion of basic principles given below.

Detailed Answer:

Before giving a detailed answer to this question, and in order to train ourselves to accept the rulings of sharee'ah, we should start by noting some of the basic principles of sharee'ah etc which will help the Muslim – who submits to the rulings of Allaah – to deal with this operation and similar schemes devised by business-minded people, in a confident manner, especially when the following five main factors are present in these operations:

1-Widespread media and advertising media

2-Ease of financial transfer by means of credit cards and the like

3-Increased need for money among ordinary people, because of excessive desire to accumulate non-essentials

4-Greed and love of money in human nature

5-Lack of religious commitment and desire to seek halaal provision among many Muslims

There follow a number of principles that will help us to deal with this kind of operation and similar types which are bound to appear in the future, so we should pay attention to these details:

1 – The fitnah (temptation) of money is one of the greatest fitnahs that can affect man's religious commitment and the blessing of what he already has of wealth and children. So we must beware of that and seek to ensure that the sources of our wealth are permissible.

2 – Avoiding doubtful issues is a principle that is well known in Islam, even if one is not quite certain that the doubtful matter is in fact haraam. The Prophet (peace and blessings of Allaah be upon him) said: "What it halaal is clear and what is haraam is clear, and between them lie doubtful matters which many people do not know about. Whoever is avoids the doubtful matters has protected his religious commitment and his honour, but whoever falls into doubtful matters will fall

into that which is haraam.” Narrated by al-Bukhaari, 52; Muslim, 1599.

3 – “If any of this money comes to you without you asking for it or hoping for it, then take it, but do not think about it or hope for it.” Narrated by al-Bukhaari, 138, in a marfoo’ report. This means: do not let yourself dwell on thoughts of money that you do not have, or let that make you feel sad if you do not get it. The prohibition on thinking about it mentioned in this hadeeth refers to being given a gift of something that is permissible – so how about if you dwell on thoughts of dubious wealth, or wealth that is haraam? This will inevitably lead to more negative effects and should be shunned even more.

4 – “Whoever gives up something for the sake of Allaah, Allaah will compensate him with something better than it.” Narrated by Ahmad and classed as saheeh by al-Albaani. This includes both the one who gives up something haraam and the one who gives up something concerning which there is doubt.

5 – Blessing in wealth, even if it is little, is better than seeking to increase wealth in haraam or dubious ways.

6 – The Muslim should strive to be completely honest with himself in recognizing his motive in joining such schemes. Is he hoping to get money and needs the product as a means to reduce guilt and ward off blame, or is the product itself what he basically wants? He should note that whatever he conceals of his intentions is known to Allaah who knows what is secret and what is yet more hidden, and He will ask him about that and bring him to account.

7 – The ruling on a matter is based on the way in which it is understood. Withholding some information from the mufti does not allow you to follow his fatwa, and that does not excuse the one who follows it from blame, so long as he knows that the mufti does not have the full picture.

8 – “Righteousness is that with which the heart feels at ease, and sin is that which you feel uneasy about, even if the people give you fatwa after fatwa.” Narrated by Ahmad, 17320. Al-Albaani said in Saheeh al-Targheeb, 1734, it is hasan li ghayrihi.

9 – If the one who consumes haraam wealth acknowledges that he is doing something haraam, this is less serious than one who consumes it by means of deceit and trickery, because the latter has added another sin to his consumption of haraam wealth, which is his trying to deceive Allaah. Ibn al-Qayyim said:

“Changing the definition and name of things that are haraam when their essence remains the same is even more evil, as well as involving an attempt to deceive Allaah and His Messenger, and claiming that Islam accepts trickery, deception, cheating and hypocrisy, and that sharee’ah forbids something because it is evil but then allows it when it becomes even worse. Hence Ayyoob al-Sakhtiyaani said that some people try to cheat Allaah like they cheat children. If they were to commit the sin believing that it is a sin that would be less serious.”

Ighaathat al-Lahfaan, 1/354.

10 – If it is proven to a person that a thing is haraam, then he must stop thinking about it and should feel no regret for not having it when he sees that others have it. He should praise Allaah for having saved him and ask Him to make him hate haraam things no matter how great they are, and help him always to avoid them, and help him to strive against his nafs (self) to stop thinking about it.

11 – The rulings of sharee’ah are based on complete knowledge and wisdom. It pays attention to the common interest even if that involves something that he thinks may be detrimental to his own personal interests. So the Muslim should not think only of his own personal gains and overlook the aims of sharee’ah which seeks the common interest.

With regard to the detailed answer, it may be summed up in the following three points:

Firstly: The way this operation is done is very similar to so called pyramid schemes or multi-level marketing (MLM), even though it may not be exactly the same in all aspects. Pyramid schemes are based on an incentive system, and those who invented them in the west looked only at earning money, with no attention to the question of whether the source is permissible or not. If we assess this system in the light of the texts and principles of sharee’ah, it will become clear that it is

haraam from a number of angles, such as:

(i)It is based on consuming people's wealth unlawfully, because this pyramid will inevitably have a final level, and these people will definitely lose out to the interests of the higher levels. The pyramid can only grow when there are people who will lose out to the interests of the higher levels which will collect insanely high commissions. In the last two levels of every branch there will be two levels, the first of which is lying and giving false hope to the next level of making a profit, and the last level which will be fooled and cheated, because it will buy but will never find someone to sell to. We have already mentioned above the verses and hadeeth which sternly forbid consuming people's wealth unlawfully.

(ii)It is based on gambling, which means that a person pays money in return for which he may get more money than he paid, or he may lose his money. This is what happens to those who join such schemes. This is one of the most important and clearest reasons for it being haraam.

(iii)Because pyramid schemes involve a lot of cheating and deception, they have been banned and outlawed by many kaafir western systems – if they appear in a form where there is no product for sale – even though those systems allow riba and gambling in principle – and their experts have warned against them. (See the following website and its many links: http://skepdic.com/pyramid.html)

Based on the above, the "Business" operation mentioned in the question is haraam for many reasons, because it resembles pyramid schemes in the main reason why it is haraam, which is th1at it is a form of gambling and consuming people's wealth unlawfully.

Secondly: Including a product in such a program does not make it permissible or remove the reasons why it is haraam, rather it makes it even more emphatically haraam, because this is a kind of trickery aimed at making this operation acceptable and giving the impression that the product is the main objective. But "Changing the definition and name of things that are haraam when their essence remains the same is even more evil, as well as involving an attempt to deceive Allaah and His Messenger." Ighaathat al-Lahfaan, 1/354

It seems that the product has no effect of rendering the operation permissible for the following reasons:

(i)The most important motive for participants is the marketing, not the product, based on the fact that these kinds of programs and services existed many years before this company appeared and still exist, for a lower price! What is making so many people rush towards these schemes, and this particular company, apart from the hopes of the income generated by joining this scheme?

(ii)The suggestion that the products are useful and easy to operate and have distinct features that make it worth paying one hundred dollars for them is a flawed argument, because this program has no copyright preventing individuals making use of the site through the one who has already joined, without the new user paying anything. Indeed if one individual subscribes, dozens could use it and benefit from all the services offered on the site. It only has copyright protecting other companies from using it. What motive is there to spend money on it except to be part of this pyramid scheme which is in effect gambling?

(iii)There is an essential condition for joining this pyramid scheme, which is that one buys the product for more than the price of similar products in order to obtain more commission and to use the company's website for advertising and marketing. Temptation leads people to pay the exorbitant price in the hope of recouping it and making more by means of the marketing which is the primary purpose for joining. This is the essence of gambling which is forbidden in sharee'ah.

(iv)The mention of tempting commission in return for marketing is what motivates people to buy and join the scheme, because usually they do not buy unless this commission is mentioned, and because some may even agree to buy without checking on the products they are buying, or without needing them in the first place. The fact that many people do not benefit from most of the programs confirms this further; in fact some of them do not even use the programs at all.

(v)The amount required to join - $99 – is equivalent to a month's salary or more in some countries, so ordinary people would not pay such an amount and join this scheme, unless there is the hope of making a lot of money. Yet despite that many people join and even take out loans for that

purpose.

(vi)When those who join for the sake of the product find out the company states that three-quarters of what they paid is spent on marketing instead of using advertising agencies, this motivates them to take part in marketing in order to recoup what they have paid in excess of the product's value. So they get involved in the marketing process, then they get carried away and do not stop at making up what they have lost, rather they keep going.

(vii)Some enthusiasts buy the company's product more than once and some, as they have themselves admitted, buy it one hundred times! Even though they know that buying it once guarantees that the purchaser will benefit from all the company's programs at any time. No one would doubt that this is a form of gambling, and clearly indicates that the aim of this operation is gambling.

(viii)The company obliges purchasers to continue marketing and earning high commissions by renewing their subscriptions annually for the same amount, on the basis that they are going to add new services. But these new services – even if they are real – still add up to buying something unknown for a set price, because the new services may be small, or they may contain new programs that the subscriber has no need of. So this purchase is haraam because it involves deceit and ambiguity, as one of the parties has no idea what he is buying.

(ix)The individual should check himself and understand his intentions in joining this program. That will enable him to understand that the aim is to make him join a pyramid scheme, especially when he can get whatever he needs of these programs and services for free or for much less on other sites, as well as having the option of not buying things he does not need.

Thirdly: This operation does not come under the heading of brokerage that is permissible, because it is different from it in several essential ways. Those muftis who stated that it is a kind of brokerage only answered questions in which no details were mentioned that would give a proper picture of the issue, thus these fatwas do not reflect reality. One of the conditions for a ruling to be valid is that it must be based on proper understanding of the issue. Based on this, it is not

permissible to follow one whose ruling is known to be based on an imperfect understanding of the issue.

The differences between this operation and permissible brokerage include the following:

(i)Brokerage refers to when a middleman points out a product or some benefits that are sought in and of themselves, where ultimately the one who acquires the product will benefit from it. The marketing offered by this company is simply opportunities for marketing to people who will sell it to others, and it will ultimately reach a person or persons who will not get what they hoped for from the transaction.

(ii)In brokerage there is no condition which requires the broker to pay any money because it is not in the interests of the owner of the product to discourage the broker by imposing the condition that he pay him or buy from him. But in the case of this marketing, the one who wants to be a part of it is obliged to pay a sum of money, included in the price of the program, in order to join it or benefit from it, so that he can become a marketing agent. Then he has to renew the payment annually in order to continue marketing.

(iii)The broker is keen to look for more people who need the product, whereas the marketing agent looks for those who are most able to market the program, regardless of whether they need it or not.

(iv)The broker has nothing to do with what the purchasers do with the product, whereas the marketing agent in these schemes needs to market the product continually, so that he can complete the numbers required in order to earn his commission.

(v)In the case of brokerage, the broker earns according to how much he sells, but in this scheme two people may have a share in the number of people to whom the product is marketed, directly or indirectly, but there may be a huge difference in the commission they earn because of the conditions that they stipulate as to how commission is earned. This confirms the fact that the main aim is multi-level marketing, not promotion of the product.

These five differences between the two operations demonstrate the essential differences between them, which means that the “Business” scheme cannot be regarded as permissible when compared with brokerage, especially since there are many factors in the “Business” program which render it haraam, as stated above.

(vi)If we assume that it is a kind of brokerage – which is not correct – then it is still haraam because this marketing agent cannot state to the one to whom he presents this product that there is a similar product offered by other companies for one-quarter or one-half of their price, or that he may not need some of what is on offer, let alone the fact that he could benefit from the program by going to the company’s site and using the marketing agent’s password, without affecting him or paying him anything. He has to focus on the large commission that he will earn if he buys and markets the product.

(vii)Those who regard it as a kind of brokerage and say that it is permissible stipulate that the marketing thereof should not involve any kind of deceit and should not praise the product for qualities that it does not possess. But these conditions are not usually met by many marketing agents for the reasons mentioned above.

From this detailed answer it should be clear that this and similar programs are haraam. Our advice here to the owners and representatives of these companies is that they should fear Allaah by looking for sources of income that are definitely not haraam or dubious, and that they should fear Allaah with regard to the wealth of their Muslim brothers before there comes a time when there will be no dirham and no dinar, only hasanaat (good deeds) and sayi’aat (bad deeds), and there will be nothing but Paradise or Hell.

May Allaah send blessings and peace upon our Prophet Muhammad and all his family and companions.