42909 - Taking a card and giving money to its owner and five other people, in a pyramid scheme

the question

I took a card from a friend of mine and I have to pay $100 for this card, and $100 to the person who gave the card to my friend, and $100 to five people who did the same thing, one after the other (i.e., like a chain letter or something similar). The sixth person takes $800 and the company that is in charge of this takes $800. It carries on like this until everyone who sends the card gets $400. If he gives four cards to four people, and each of them gives the card to another person, the first one will get $1600 and so on.
Is it permissible to take part in this scheme?.

Detailed answer

Praise be to Allah.

This scheme involves gambling and consuming people's wealth unlawfully, both of which are clearly forbidden as 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.

91. Shaytaan (Satan) wants only to excite enmity and hatred between you with intoxicants (alcoholic drinks) and gambling, and hinder you from the remembrance of Allaah and from As-Salaah (the prayer). So, will you not then abstain?"

[al-Maa'idah 5:90-91]

“O you who believe! Eat not up your property among yourselves unjustly except it be a trade amongst you, by mutual consent”

[al-Nisa’ 4:29]

The way in which this scheme involves gambling is that the person who joins it spends his money and gets nothing in return, hoping that he will get more money. So he is not certain whether he will win or lose, and this is the definition of gambling.

The way in which it involves consuming people’s wealth unlawfully is obvious. No one gains money from this scheme except the ones who set it up and a small number of those who join it; most of them come out with nothing but sin and regret.

Hence in some western countries such schemes are known as pyramids of illusion or selling air.

Dr Waa’il Ghunaym, the head of marketing in an e-mail company says:

This idea is based on a principle that is akin to gambling, whereby each person puts his money on the table then the one who is the most eloquent and persuasive takes it all. Joining the scheme earlier also plays a role in acquiring the thousands upon thousands, because the one who starts it and those who follow him, up to a certain level of the pyramid – which varies according to how big the company grows and how many levels there are in the pyramid – are the ones who will earn the large amounts of money. They are like the gamblers who win big. Their intelligence plays no role in their huge earnings, all that they do is to convince a number of people to join and they sit and watch what their followers will do and so on. It remains that the first one is better off, and the pyramid has different levels, as follows:

1 – The kings of the pyramids of illusion. They are the ones who will earn huge amounts because they joined it first and their numbers are few

2 – The dealers of the pyramids of illusion. They are the ones who will earn something but it will be a very ordinary amount and not that on which they pinned their hopes. Their number is also few.

3 – Those who escape unscathed from the pyramids of illusion. They are the ones who will neither win nor lose, but they managed to get back the money that they paid in. Their number is moderate.

4 – The victims of the pyramid, who are more than 80 % of those who join the scheme. Their number is greater the more levels there are in the pyramid.

The number of those who are able to convince others to join becomes greater the more levels the pyramid acquires. This clearly shows us that the greater earnings can only come when more losers join the scheme, because the company will make profits, and the kings and dealers will make a profit, and this mathematical equation can only be achieved at the expense of victims of the illusion, who donated their wealth to the kings and dealers of the pyramid.

And he said:

On January 5, 2000 the department of consumer protection in one of the states of the US issued a warning about a club that was using its membership cards as a means to propagate these pyramids of illusion. The Trade Department in that state had already warned about these pyramid schemes and described them as follows: they promise a quick and certain profit, and they tell everyone of how successful this idea has been for some workers who joined the scheme. They are based on face-to-face meetings in which they use psychological pressure so that a person does not think and signs up as soon as the presentation ends. The Department stated that these pyramid schemes are based on lies and that very few of those who join will make any gains.

The Canadian government added a clause to its Criminal Code expressly forbidding any individual or organization to operate pyramid schemes. The government described these schemes as a program in which a person pays a sum of money to join the group, in return for attending lectures or getting some educational material on this subject, then he is required to try to persuade a certain number of people to do the same. The Canadian police website states that millions of dollars were collected from people who joined the scheme and lost their money, whilst a very small number of people acquired a huge amount of money.

Robert Carols, author of False Profits, published a detailed analysis which proves to all that these pyramid schemes are no more than a fraud that is based on a large number of participants, in which only the people at the top of the pyramid gain anything; they are usually the owner of the company and the original members with him.

The Standing Committee has been asked about various forms of such schemes, and they have stated that they are all haraam and that they are kinds of riba and gambling.

It says in Fataawa al-Lajnah al-Daa'imah (15/212):

If the matter is as described, then this scheme is a kind of gambling that Allaah has forbidden in the verse (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 they also said (15/215):

This kind of operation is not permissible, rather it is an evil action and one of the worst of major sins, because it involves riba al-fadl and riba al-nasee'ah, both of which are haraam according to the consensus of the Muslims. And it involves toying with people's wealth and consuming it unlawfully. In this sense it comes under the ruling on gambling which is haraam according to the texts of Islam and according to scholarly consensus.

And they also said (15/218):

The transactions mentioned involve ambiguity, riba and gambling, all of which are major sins that incur the wrath and anger of Allaah.