69877 - The car will not be put in his name until he pays the last installment

the question

I want to buy a car and the price will be paid in installments. The way in which it is sold is that I make a down payment, then I pay installments monthly, and after I pay the last installment, the car will be turned over to my name, knowing that the last installment will be the same as the usual installments .

Detailed answer

Praise be to Allah.

Firstly:

There is nothing wrong with buying by installments, whether you make a down payment or not, subject to the condition that the contract is free of any stipulation of penalties to be paid in the event of delay in paying installments, because such conditions come under the heading of riba which is haraam.

Secondly:

Once the contract is completed, you become the owner of the car, even if you have not paid any installments yet; the car comes into your possession and its price becomes a debt that you owe.

Thirdly:

The purpose of registering the car in the purchaser's name is protecting one’s rights; it is not a condition of the transaction being valid. Ownership of the item sold passes to the purchaser by virtue of the contract, whether it is registered in his name or remains in the name of the seller.

Fourthly:

It is permissible for the seller to stipulate collateral in order to protect his rights. He can make the car itself collateral, so that the buyer cannot dispose of it by selling it until he has paid off all the installments. The fuqaha' stated that this is permissible. It says in Kashshaaf al-Qinaa' (3/189): It is valid to stipulate collateral for the price of the item sold. If he says, "I will sell you this on condition that you keep it as collateral for its price," and he says, "I will buy it and give you collateral," the purchase and the pledge are valid. End quote.

Based on that, if the delay in registering the car in your name is in order to protect the seller, lest you sell it before paying off the installments, then this does not affect the validity of the sale, because of what we have stated above about the registration being only for the purpose of protecting rights. But you own this car according to sharee'ah, by virtue of the transaction. If it is collateral, then it is not permissible for you to sell it until you have paid off the pledge or are given permission by the seller.

The Council of Senior Scholars stated that it is permissible for the seller to keep the car in his name for the purpose of protecting his rights, and said: The Council thinks that the two parties to the transaction should do it in the proper manner, which is selling the item and naming it as collateral for its price, and protecting oneself by keeping the contract and ownership papers, and so on. End quote.

It remains for us to point out that there is a similar method to that which we have mentioned, which is leasing or rent-to-own, in which the one who is renting it out retains ownership of the car until the last installment or rental payment is made, but this contract is haraam. The Islamic Fiqh Council and the Council of Senior Scholars have issued statements concerning this. Please see question no. 14304

And Allaah knows best.