7638 - Helping people to buy used cars with ribaa (interest)

the question

I am a Muslim and own a used car dealership in the USA. I am writing you seeking your help in finding what I am going to explain to you is HALAL OR HARAM (FATWA). I sell my cars to people who can’t afford to pay cash up front for the cars they buy. So I sell my cars with a low down payment and a low weekly payment with no INTEREST (Reba). The disadvantage to this system is a lot of customers who buy cars from me make a few payments or damage the car and stop paying. The other disadvantage is waiting a long period of time to get my money back. All of the dealers in this country are using Financial Institutions to help their customers get loans to buy cars from them and get their money fast. Here is how it works:
1. The customer chooses a car he likes.
2. I help him or her fill out an application form in the behalf of the Financial Institution.
3. I send or fax the application to the Financial Institution and act as the customer’s agent and also an agent for the Financial Institution.
4. When the Financial institution approves the applicant, they send me anywhere between 75 to 90% of my money and charges the customers a monthly payments plus interest (Reba) for the duration of the loan.
My question is this: Is it HALAL OR HARAM to help people deal with the Financial Institutions to get loans with interest? Am I held responsible in front of ALLAH by helping people get loans to buy cars with interest ever though I do not get anything back from the Financial Institution or the customer but the 70 to 90% of car’s price?
Please let me know what the SHARIAA or rules of our DEEN say about this issue. All I want is to do what ALLAH asks us to do to win his REDA.

Detailed answer

Praise be to Allah.

This way is haraam, because it is pure ribaa. Allaah says (interpretation of the meaning):

“Allaah has permitted trading and forbidden Ribaa” [al-Baqarah 2:275]

This is for a number of reasons:

(1)The financial institution, as is quite clear from the question, is a ribaa-based institution which deals in interest.

(2)The method which you describe – whereby the financial institution pays the value of the car to the vendor, then takes back its money with interest in installments from the purchaser – is no more than a loan with interest. It is as if the financial institution is lending the customer an amount of money (such as $10,000) on the condition that he will pay interest (such as 10%), so the customer repays the financial institution with interest in installments (so the amount of $10,000 becomes $11,000). This is ribaa, pure and simple, and this is not permitted. This is the ribaa of the Jaahiliyyah which was forbidden by Allaah and His Messenger.

Allaah says (interpretation of the meaning):

“O you who believe! Be afraid of Allaah and give up what remains (due to you) from Ribaa (from now onward) if you are (really) believers.And if you do not do it, then take a notice of war from Allaah and His Messenger but if you repent, you shall have your capital sums. Deal not unjustly (by asking more than your capital sums), and you shall not be dealt with unjustly (by receiving less than your capital sums).” [al-Baqarah 2:278-279]

“And be afraid of the Day when you shall be brought back to Allaah. Then every person shall be paid what he earned, and they shall not be dealt with unjustly” [al-Baqarah 2:281]

The Prophet (peace and blessings of Allaah be upon him) said:

“All the ribaa of the Jaahiliyyah is null and void, but your capital is yours. Do not deal unjustly and you will not be dealt with unjustly.” (Narrated by Abu Dawood, 2896; Ibn Maajah, 3064).

Al-Qurtubi said in his Tafseer:

“The Muslims are agreed, narrating from their Prophet (peace and blessings of Allaah be upon

him) that imposing the condition of repaying something extra in a loan is ribaa, even if it is only a handful of animal feed or, as Ibn Mas'ood said, even if it is a single grain."

Shaykh al-Islam Ibn Taymiyyah said:

"The scholars agreed that when the lender imposes the condition of paying back something extra on his loan, this is haraam."

(3)Moreover, the financial institution is also stipulating the condition that the loan be repaid within a specific time limit, otherwise an additional amount is to be paid. This is also a kind of ribaa.

One of the statements issued by the second session of the Islamic Fiqh Council was the following:

"Every kind of interest or additional payment required in return for delaying repayment of a loan when payment falls due and the debtor is unable to pay, and interest or additional payments charged on a loan from the outset – these are two types of ribaa which is forbidden according to sharee'ah.

(4)After knowing the ruling on loans with interest, and knowing how strictly this is forbidden by Allaah and His Messenger, it remains for us to note that cooperating in ribaa – even if the one who helps does not gain anything from that – and making it easy for people in any way, shape or form, is haraam according to sharee'ah. Allaah says (interpretation of the meaning):

"Help you one another in Al-Birr and At-Taqwa (virtue, righteousness and piety); but do not help one another in sin and transgression" [al-Maa'idah 5:2]

It was reported that 'Ali ibn Abi Taalib (may Allaah be pleased with him) said: The Messenger of Allaah (peace and blessings of Allaah be upon him) cursed ten people: the one who consumes ribaa, the one who pays ribaa, the one who writes it down, the two who witness it, the one who makes it lawful, the one for whom it is made lawful, the one who withholds sadaqah (charity), the one who does tattoos and the one for whom tattooing is done." (Narrated by Muslim, 50; al-Tirmidhi, 1038, and others).

The Islamic Fiqh Council in its ninth session stated the following:

It is obligatory on all the Muslims to forbid that which Allaah forbids of dealing in ribaa, whether accepting it or paying it, or cooperating in it in any way, shape or form, lest they incur the wrath of Allaah and open themselves to a declaration of war from Allaah and His Messenger.

This statement was issued by consensus.

On the basis of the above, it is not permissible for you to participate in initiating or concluding ribaa-based dealings between the purchaser and the financial institution. You must look for other, permissible ways in which your rights are also protected. Whoever fears Allaah and does his duty towards Him, Allaah will make for him a way out and will provide for him from sources he could never imagine. Whoever gives up something for the sake of Allaah, Allaah will compensate him with something better. May Allaah help us and you to do all good. And Allaah knows best.