14098 - Prohibition of selling bills of exchange to the bank

the question

Some businessmen are owed money by their customers, so they go to the bank and sell the bill of exchange to them for an amount that is less than the amount specified in the bill of exchange. Then the bank collects the debt for itself when it becomes due. What is the ruling on this?.

Detailed answer

Praise be to Allah.

This transaction is one of the transactions that are haraam, and it is a form of riba (usury, interest).

Because selling a bill of exchange – for example – which mentions a debt of one thousand riyals to be paid in one month’s time to the bank for nine hundred riyals to be paid immediately, is riba. The scholars are unanimously agreed that this haraam transaction is both riba al-nasee’ah and riba al-fadl combined, because it involves exchanging currency available immediately for currency of the same kind to be paid later, plus an extra amount.

If currency is exchanged for currency of a different kind, the physical exchange must be done in the same sitting where the agreement is made. If they are of the same kind, then they must be equal in value and the physical exchange must be done in the same sitting where the agreement is made. This is not the case in this scenario; so it involves riba al-fadl because the amounts exchanged are not equal and it also involves riba al-nasee’ah because there is no mutual exchange in the same sitting.

The Standing Committee was asked about that and they replied:

Selling the bill of exchange to the bank in return for an amount of money and leaving the bank to collect the amount stated in the bill of exchange from the purchaser of the product is haraam

because it is riba.

Fataawa al-Buyoo’, p. 352

The Fiqh Council issued the following statement:

Selling bills of exchange to the bank is not permissible according to sharee’ah, because it amounts to riba.

And Allaah knows best.