147438 - Ruling on investing money in return for a share of the profit

the question

I have some money that I gave to an investment company to invest, and it made some profit, but there was no agreement on a set percentage. Is this riba or not?.

Detailed answer

Praise be to Allah.

If you agreed on that, there is nothing wrong with it. If the company invested the money in return for half of the profit, or one-third, or one-quarter, there is nothing wrong with it. But if they give you a set amount (based on your capital), three or four or five per cent, this is not permissible. But if you have a share of the profit in return for giving them the money to use in buying and selling, or other kinds of business, and you have half of the profit, or one-quarter or one-fifth, that is fine. This is called mudaarabah.

But if they take the money from you and give you a set amount, such as five percent, or one percent, this is riba and is not permissible. End quote.

Shaykh ‘Abd al-‘Azeez ibn Baaz (may Allah have mercy on him)