150411 - Is It Prohibited to Work as a Debt Collector?

the question

I work for a company that offers different services, one of which is debt collection for other companies in return for a percentage of the money recovered. Recently a contract has been drawn up between our company and a financial institution to collect their debts (from clients of the financial institution to whom it gave loans which have not been paid off), in return for a percentage of the money recovered. What is the ruling on the work that we do with these financial institutions? Please note that we are collecting debts for a number of ordinary companies, not financial institutions; this is the first financial institution that we have added to our list. I am confused about my income; is it permissible or prohibited?

Summary of answer

It is permissible to work in debt collection in return for a fixed fee or a percentage of the debt recovered, because this comes under the heading of acting as an agent in return for payment. But it is stipulated that the debt should not be Riba-based.

Detailed answer

Praise be to Allah.

It is permissible to work in debt collection in return for a fixed fee or a percentage of the debt recovered, because this comes under the heading of acting as an agent in return for payment. But it is stipulated that the debt should not be Riba-based. If it is Riba-based, like debts owed to Riba-based banks, it is not permissible to work in collecting those debts, because that comes under the heading of helping in something prohibited.

Allah, may He be Exalted, 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. And fear Allah. Verily, Allah is Severe in punishment.} [Al-Ma'idah 5:2].

The scholars of the Standing Committee for Issuing Fatwas were asked: I have a business that specialises in debt collection; I collect the debts in return for specified fees that I charge on the basis of the contract. Is there anything forbidden in that? Some banks have contacted me to ask me to recover debts owed to them by others, and they will give me a fee, but up till now I have not agreed to that, because I want to ask for your opinion and Shar`i advice. Should I take the fee from the creditor before or after obtaining his money? Is there anything wrong with charging a set percentage of the money as a fee?

They replied:

If the debts are not Riba-based, there is nothing wrong with taking payment for recovering them for the creditor from the one who owes them. But with regard to Riba-based loans, such as loans owed to commercial banks, it is not permissible for the Muslim to work in recovering them or to take payment for that, because this comes under the heading of helping in sin and transgression, and approving of evil.

The amount of the fee and the time of payment depend on what is agreed to between the two parties, because the Prophet (blessings and peace of Allah be upon him) said: "The Muslim are bound by their conditions, except a condition that makes something forbidden permissible or forbids something that is permitted." (End quote from Fatawa Al-Lajnah Ad-Da'imah, 14/269 - Shaykh `Abd Al-`Aziz ibn Baz, Shaykh `Abd Ar-Razzaq `Afifi, Shaykh `Abdullah ibn Ghadyan, Shaykh Salih Al-Fawzan, Shaykh `Abd Al-`Aziz Al Ash-Shaykh, Shaykh Bakr Abu Zayd)

Based on that, if the financial institution is owed Riba-based loans by others, it is not permissible to work in recovering those debts and you should not participate in that. If your work is limited to recovering permissible debts, it is permissible for you to remain in that company.

And Allah knows best.