288843 - Ruling on forming a cooperative fund for ‘umrah that involves drawing lots

the question

I want to have a contest for a number of people, in which a very small amount will be deducted from their salaries for one year. When that year ends, one person or several people will be chosen by drawing lots to be sent to do ‘umrah free of charge. The other people will be given discount coupons equivalent to the value of the amount that they paid previously, to buy from well-known shopping websites. I am going to set up a company with the money raised from these people during that year. Is the money collected halaal or haraam? If it is haraam, then what will make it halaal? Please note that my intention is to help people to do ‘umrah, and the rest will benefit from the full value of the money that they paid, in the form of discount coupons that they can use when they buy things. Do I need to do anything else, such as giving them shares in my new company, or what?

Detailed answer

Praise be to Allah.

The manner of doing business mentioned is not permissible for several reasons, including the following:

Firstly:

Your investing the money without agreeing on the percentage of profits is an invalid partnership and it is not permissible to set it up on this basis.

Ibn Qudaamah (may Allah have mercy on him) said: One of the conditions of mudaarabah (profit-sharing) being valid is that the share of the one who is running the business should be stated, because he becomes entitled to it when his share is stipulated as part of the deal and can only be

worked out in accordance with what is stipulated.

Then he said: If he says, Take this money and do business with it on the basis of profit-sharing [mudaarabah], and you will have a part of the profit or a share of the profit, that is not valid, because the exact share is unknown, and it is not permissible to set up a mudaarabah (profit-sharing) contract except on the basis of a known percentage of the profits.

The ruling on partnerships is the same as the ruling on mudaarabah (profit-sharing), in that it is essential to know the share or percentage of the profit that each partner will have.

End quote from al-Mughni (5/24-27)..

Secondly:

For the participant to pay money for one year in the hope of receiving more then he paid, if his name is drawn, or to take back his principal with any loss of profit that resulted from the investment, is a kind of gambling, because the definition of gambling is any transaction that results in either gain or loss. This participant will either gain, or he will lose some of his money, which is the profit on the investment.

Thirdly:

You have no right to give the participant, instead of the money he paid, coupons for discounts on purchases equal to the value of what he paid. Rather what you should do is return his money to him, as he gave it as a loan, or bought shares in the company.

There are two ways of correcting this transaction:

The first:

Is to set up a cooperative fund for those who want to go for ‘umrah, to which the participant donates what he pays, and you invest the fund on the basis of it being a partnership (sharikah) or profit-sharing deal (mudaarabah). Then you will have a known percentage of the profit – but not of the capital – such as 40% or 50%. That must be done with the agreement of all participants, and

informing them of their share or percentage (of the profit), and that of the one who runs the business.

At the end of the year, the fund and the profit may be taken, and lots may be drawn among the members of the fund, to choose the winner or winners of the ‘umrah trip, one or more, according to what the fund is able to sponsor.

This is a type of permissible, cooperative insurance that is based on donations to achieve this legitimate goal, which is going for ‘umrah.

The second:

Is for you to set up a company partnership to invest the money of these people, in return for a known percentage of the profit, to be paid to you, as mentioned above. At the end of the year, each of them may take his capital and profit, and go for ‘umrah with this money, or donate it to his brother so that he can go for ‘umrah, or whatever he wants, because it is his wealth and he can dispose of it however he wishes.

With regard to the rulings on partnerships, please see the answer to question no. 186407.

With regard to the permissibility of cooperative funds, please see the answer to question no. 69905.

And Allah knows best.