348232 - Is It Permissible to Invest in Silwana Diamond?

the question

There is an investment company which is called Silwana Diamond, which invests in agriculture, livestock, gold mining and Islamic products. It has opened the door to investment in shares and in the cryptocurrency of the new company GogolCoin.

The investment method is as follows: you pay a sum of money to buy shares in the company, with a minimum of five hundred Euros, and you have to wait until 2027 to be able to sell their shares.

This is the duration of the contract between you and the company. Shares can bring many more times than the initial investment, or less, or the same, depending on the market. There is a marketing system, whereby if you recruit three people within ninety days, they will give you a fixed monthly salary for seven years.

The salary is to be worked out based on 7-10% of the money that you invested in the scheme, plus 5% of the money invested by the people whom you recruited, plus 2.5% of the money invested by the people whom they recruited, and so on. When the ninety-day period ends, if I did not recruit three people, my account will only be invested until 2027, and I will not receive any salary for marketing.

What is the ruling on this investment? What is the ruling on this marketing? Is there any connection between the salary for marketing and the amount invested? Is this regarded as Riba?

Summary of answer

If Silwana Diamond Company or any company does not meet the following conditions, then it is not permissible for you to invest in that company:
1. The field of investment must be permissible.
2. There should be no guarantee of the capital.

3. It is obligatory to agree on a percentage of the profit.

4. The company should avoid borrowing money with interest or putting its wealth in interest-bearing accounts (Riba).

Detailed answer

Praise be to Allah.

Conditions of permissible investment in companies

In order for it to be permissible to invest in any company , it must meet the following conditions:

1. The field of investment must be permissible, so it is essential to verify whether the company actually invests money in agricultural projects and livestock, as announced, and that the way in which it trades in gold is permissible, because in the case of selling gold, it is stipulated that the exchange should take place in the same sitting in which the contract is drawn up, and it is not permissible to sell it via the Internet, because that is Riba.
2. There should be no guarantee of the capital. What we have seen in the adverts for this company is that it guarantees the capital. This renders the partnership invalid and dictates that it is prohibited to join this company, because if the capital is guaranteed, then this is a loan, and if it is stipulated that it should also bring a profit, then this loan is a Riba-based loan and is prohibited.
3. It is obligatory to agree on a percentage of the profit, not a percentage of the capital. So you must examine the investment contract to see what percentage of the profit the company will get, and what percentage the shareholders will get.
4. The company should avoid borrowing money with interest or putting its wealth in interest-bearing accounts (Riba). If it does that, then its shares are mixed, and the Islam Fiqh Councils have issued statements that it is prohibited to invest in mixed shares .

You can find out whether the company takes out loans with interest or deposits money in interest-bearing accounts or not by referring to its annual financial reports.

All of the above discussion assumes that the company is serious, and has an annual financial report, but the company does not have anything like that on its official website?!

We advise anyone who wants to buy shares in the company to request its financial reports for previous years, because countries oblige all companies to do that and make their reports public. From this it will become clear whether the company is telling the truth in its ads inviting people to invest in such-and-such projects, and whether it puts its money in Riba-based bonds or prohibited activities, or not.

If the company does not meet these conditions, then it is not permissible for you to invest in the company.

Ruling on multilevel marketing (MLM)

It is prohibited to participate in the multilevel marketing scheme mentioned in your question, because it is based on gambling . This applies to marketing in which it is stipulated that the marketer must pay a subscription, or must buy a product or shares or anything else. Gambling is a transaction that is based on certain loss and possible gain.

Marketing that is accompanied by crypto currency or mining is a prohibited kind of marketing, because a person cannot do any marketing thereof unless he pays money, whether it is called a membership fee, the price of an item, the value of a share, or any other name it is given.

This is money that is paid in the hope of earning more by inviting others to join the scheme, which may or may not happen. This is the very essence of gambling, and the product is just a trick, or is sold for an inflated price, and the purchaser is happy to pay extra in return for what he hopes to get from fees for marketing. These fees are what is sought, and they may be the only aim of the investor.

And Allah knows best.