

## FATAWA KAFALA

SUBJECT: Buying a bond or depositing a guarantee money

From: dialogue@islam-online.net

Date: 3/26/2001

Name of Questioner Mohammad

Gender Male

Age 31-45

Education Post Graduate

Date Submitted 3/21/2001

Email

country of Origin Saudi Arabia

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### Question:

I have a General Contractor's license in the state of California. In order to renew my license I need to purchase a contractor's license bond or I have to make a cash deposit for the amount of \$7500.0. From an Islamic standpoint can I buy the bond or should I make the cash deposit. Thank you

### My Answer:

Dear Br. Mohammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

The OIC Fiqh Academy has an opinion that taking a fee for issuing such bonds is not permissible as long as the bond is not fully covered.

Most Islamic banks issue such Bonds for fees and their Shari'ah boards approved it. The matter in fact is disputed among Ulama, the Marjory argue that taking an increment on lending money is clearly a forbidden Riba, and this is worse than that because it charges money on a promise to pay money on your behalf or to cove your liability, and the bond issuer didn't pay yet anything.

Others argue that the fees here are really a small amount they are not for the promise of the money but for the administrative cost and the risk factor only and there is nothing to prevent such charges in Shari'ah.

Ironically the majority's opinion has a flow that if the bond is fully covered, it become permissible to charge fees because the fees are then for the service of issuing a statement that we have money to cover this liability.

In Brief, I think it is permissible to get a bond. The least of it is that you are not a recipient of this money but a payer, in addition to the opinions of the Islamic banks' Shari'ah boards.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

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SUBJECT: Extended Warranties, are they permissible?

From: A live fatwa session on Islam on line, June 20, 2001

Name salama -

Profession

### Question

Are extended warranties that you can buy Halal? For instance, you go to sears to buy a TV and they ask you if you want to buy a 2 year warranty.

### Answer

As-Salam Alaikum wa Rahmatu Allah  
Al Hamdu li Allah wa al Salatu 'ala Rasuli Allah

This question has been discussed in several circles among Shari'ah advisers to Islamic banks and other Shari'ah experts and they did not come to a conclusive position because of one hazy area that is in determinedness of the obligation of the provider of the warranty. One way of looking at it is when the extended warranty is purchased from the same seller at the time of buying the commodity. This is very close to buying the commodity at a price that combines the two contracts with a condition from the seller to provide a warranty for the whole period date the initial one year and the extension of two more years. Yet it is not exactly the same because the transaction is actually made in two contracts rather than one contract.

The seed of differences on this transaction reside in the differences on insurance contracts because this warranty, when made in a separate contract, is actually a form of insurance. On insurance the late Shaikh Zarka believed that insurance is permitted as long as the contract does not involve any Riba clause and the commodity insured is permissible in Shari'ah. If we apply this opinion we will find that buying such an extended warranty in a separate contract is permissible within the same conditions. I personally subscribe to this opinion and subscribe to buying insurance from commercial insurance companies and buying extended warranties.

There are two other opinions, one that considers all insurance prohibited and the other that considers insurance not permissible unless if it is offered on a cooperative or mutual rather than commercial basis.

Wa Allahu A'lam  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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