

## FATAWA LEASING 2003

### Lease Contracts of Islamic Banks

From: Monzer Kahf  
Sent: Thursday, October 30, 2003 7:04 AM  
To: Islam on line  
Subject: Car Leasing

My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Jan

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

There is no doubt that Shaikh Taqi Uthmani is a renowned Shari'ah Scholar and his opinion carries a lot of weight. This means that if al Meezan bank's lease contract is approved by Shaikh Uthmani, it must be good and compatible with Shari'ah.

This of course does not mean that other contracts that were not given to him for opinion are not good. Besides, Shaikh Uthmani was not, for sure consulted about the rate charged by al Meezan, because charging more than the market rate may be Ghabn that is forbidden or a result of monopolistic power that is also forbidden.

The first four conditions mentioned in your letter are OK; a lease under these conditions is permissible in Shari'ah. if the item e is not a condition in the contract but the lessor does not the car (because it got all its investment and return in it) and gives it away to the lessee, it is also permissible. But if e is made a condition in the contract there are people who object to it although almost all Islamic banks Shari'ah expert (including Uthmani) approve it in building lease/purchase and the trend among scholars is toward accepting it on the ground that the contract includes an open offer on the part of the lessor to sell, at cost, the car/building and the lessee accepts this offer on piecemeal basis.

Retuning or not returning the down payment does not affect the Shari'ah-validity of the contract. Down payment may be considered a returnable security deposit or a partial payment of the rent of the car.

In one word, if the other clauses in the contract you mentioned are permissible in Shari'ah (and you need to be careful about them) the five points in your letter do not pose a problem from Shari'ah point of view.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Thursday, October 30, 2003 12:58 AM

To: monzer@kahf.net

Subject: Re-Car Leasing

Name of Questioner Jan Gender Male Age 21-30

Education Graduate Date Submitted 10/22/2003

country of Origin Pakistan User Ref. No. CC4E3C country of Res. Pakistan

Dear Sir, Assalam-o-Alaikum, I hope you are in the best of health. I am a 25 year old computer professional from Islamabad, Pakistan. I read answers to questions posted on 17 June 2002 & 7 Oct 2002 and answered by Dr Monzer Kahf on "Car Leasing". I am in a huge dilemma since a Mufti Sahab from Islamabad, Pakistan told me that only the car-leasing product offered by Meezan Bank, Pakistan (Dr Taqi Usmani is on its Shari'ah Board) is Shari'ah-compliant and all the rest are Haram. Meezan Bank, unfortunately, is asking too high a price and it is out of my reach. I would greatly appreciate it if you could be kind enough to give your opinion on the following, even shortly:

1. If a bank offers leasing or rental (and not financing as it is offered by some banks in Pakistan) based on the following conditions, a. The car is in the name of the bank/leasing-company and not the individual b. The down payment is received initially (20% or 30%) c. Lease period is decided initially e.g. 5 years d. The monthly installment is decided initially e.g. Rs. 8000/- per month e. At the end of the tenure, the car is handed over to the buyer. The bank/leasing-company does not give the option that the buyer can either take back the down payment or the car itself. Is this OK according to Shari'ah? If a bank/leasing-company \*also\* offers the last option i.e. it offers the choice that the either the car can be acquired or the down payment taken back, is that OK according to Shari'ah? Thank you very much, Sami Ullah Jan Islamabad

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From: Monzer Kahf

Sent: Sunday, October 12, 2003 8:30 AM

To: Hassan

Subject: A new Ijarah-based Islamic finance company in Australia

My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Hassan

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Yes, it is certainly permissible, and it is better because it removes doubts about possibility of exploitation in the future.

Who said that Ijarah has to be adjustable year after year? Ijarah can be for any period of time as long as the rented (leased asset can still serve its purpose (producing the sold usufruct) and it is a binding contract ('Acd Lazim). This is the form of lease/purchase used by Islamic banks all over the world. No Islamic bank uses a contract that adjusts the rent every year!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Hassan

Sent: Friday, October 03, 2003 5:44 PM

To: Monzer Kahf

Subject: RE: A new Ijarah-based Islamic finance company in Australia

Assalamu Alaikum Dear Dr Kahf,

Just a simple (personal) question regarding the new Ijarah-based finance product. A couple of potential clients raised the concern that the Ijarah rate is reviewed and agreed upon by both parties on annual basis. The clients prefer to have it fixed for the period of the agreement (min of 15 years and max of 30 years) to avoid any deception!

Could you please advise me whether this feature of the product represents any shubha or makes the product not permissible?

Jazakum Allah Khairan,

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Hassan

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

This is a form of Bay al 'Inah that most schools of Fiqh consider prohibited. The Shafi'ites, who do not rely on intentions in business contracts, see each section of it permissible. On that basis, at least one Shari'ah Board of an Islamic bank (headed by Shaikh Qaradawi) permits this transaction as a way to replace interest-based loans (a customer comes with an interest-based loan that she/he wants to pay quickly and the Islamic bank buys the customer's building and leases/sells it back to the customer so that the customer can pay the interest-based loan. I think the lack of other means of financing makes it probably a similar case and we must not stand in the way of Muslims who want to make their wealth grow if there is a way accepted by any of the schools of Fiqh!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Hassan

Sent: Friday, August 08, 2003 12:24 AM

To: Dr Monzer Kahf

Subject: business finance

Assalamu Alaikum Dear Dr Kahf,

Due to the absence of any kind of Islamic business finance in Australia, some are resorting to different means in order to avoid conventional lending. What would be the requirements (Shari'ah wise) that we should look for if we were to consider the following scenario?

Can someone who is seeking Business finance sell part of his equity in his home (Refinance) and then buy it back through the Ijarah wa Iqtina and use the money for the business? Jazakum Allah Khairan,

Looking forward to hearing from you,

Wassalam

Sincerely,

Hassan

From: Monzer Kahf

Dear Br. Hassan

Assalamu Alaikum wa Rahmatullahi wa Barakatuh,

thanks for your clarification, can you please give me more and specific info about this company and whether it is by any means related to any other company in other countries? For instance we have recently a company in the American Muslim Market that does the same, it is called Guidance Financial. you can look at its ads on its website.

Wassalam

Sincerely,

Monzer Kahf

Question:

Dear Dr Kahf,  
Jazak Allah Khairan for your prompt response. I would like to assure you that I have asked the question in my personal capacity. I needed to assure myself and put my family and friends mind at ease. I am also contemplating the idea of purchasing a house through this scheme inSha'Allah Allah.  
Wassalam,  
Hassan

My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Hassan  
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.  
It is very delightful news to hear about a serious concern to provide house financing compatible with the Shari'ah to Muslim consumers in Australia. Your personal part of the question, it is permissible to work in this kind of company or with it on promotion/commission basis. Just be sure that the customer holds the title certificate partly for her/himself and partly on behalf of the finance provider. in the state this can be done by virtue of the Mutual contract and special forms like a "quit claim."  
Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

Question:

From: Hassan  
Sent: Sunday, August 03, 2003 4:48 AM  
To: Monzer@Kahf.net; Monzer@Kahf.com  
Subject: A new Islamic finance company in Australia

Assalamu Alaikum Dear Dr Kahf,  
Alhamdulillah, a new Islamic finance company has emerged in Australia. It relies on mortgage securitization as its source of funding to provide the Muslim community with home finance through Islamic Finance instruments  
I would appreciate your opinion on:  
The permissibility of financing homes through the offered Ijarah wa Iqtina'a product as well as the lawfulness of my earnings if I was to promote, mediate in and facilitate this product to other Muslims.  
A brief background:

- \* Median House Prices in most capital cities have soared e.g. in Melbourne \$325K and Sydney \$420 K (where 90% of the Muslim population reside)
- \* The affordability rate for purchasing houses in Australia is at its lowest for the past 13 years
- \* High housing costs forced the Federal Government to call in the Productivity Commission to investigate hurdles facing struggling first-home buyers (August 2, 2003).
- \* The only other option available to the Australian Muslims is a co-op with limited resources; max finance \$160K per applicant, min deposit 20%, and waiting period between 12 to 18 months.  
The product in question is the Ijarah wa Iqtina'a  
Technique and features of the product:
- \* Upon the approval of the finance application, the customer selects the property.
- \* Pursuant to an Agency Deed between the customer and the financier, the customer purchases the property on behalf of the financier.
- \* The financier then leases it back to the Customer for an agreed period (30 years)
- \* The Customer's monthly installments (comprising of buy back of the financier's equity and rent components) progressively form an increase in his/her equity in the property so by the end of the 30 year contract the customer attains 100% equity for which the financier offers the option to the customer to buy the property for \$1.00
- \* The Certificate of Title is in the Customer's name.
- \* Rent rate is discounted on an annual basis to reflect ongoing occupancy costs
- \* Any asset appreciation realized on subsequent sale of the property is entirely for the customer.
- \* The financier interest is only in the full lease payment and other contractual obligations disclosed to the member at the outset.

I apologies for the long question and I am looking forward to receiving your answer at your earliest convenience.

Wassalam,  
Hassan

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### **Car Lease Contract Offered by Conventional Institutions**

From: Monzer Kahf  
Sent: Monday, October 13, 2003 7:57 AM  
To: Siddiqi  
Subject: car leasing

My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dearest Br. Dr. Siddiqi

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

You know this kind of question is in fact centered on Ijarah/leasing.

There is no doubt that Ijarah is permissible regardless of the tax authorities' distinction between financial and operational leases.

I did not figure out what the questioner meant by EMI but from his explanation I gathered it is the monthly payment. Lease contract that I saw in California give three options for the end of contract: give the car back and walk away, buy the car for a given amount (the questioner's 40000) or negotiate a new lease. If the contract is a lease contract and it gives options at the end of it (even if it leads you to the best of them that is to pay a given amount to buy the car), the way the monthly payment is calculated does not negate its permissibility even if this way is clearly mentioned in the contract.

The matters of major maintenance, insurance and property taxes (on the car) are normally known and made part of the rent by virtue of being explicitly charged to the lessee in the contract, besides, major maintenance is normally covered by the manufacturer's warranty for the period of the lease.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Siddiqi

Sent: Sunday, October 12, 2003 4:30 PM

To: monzer@kahf.com

Subject: Fwd: RE: Need help to understand Shari'ah point  
PLEASE HELP ME ANSWER THIS QUESTION

From: haroon

To: siddiqi

Subject: RE: Need help to understand Shari'ah point

Date: Wed, 8 Oct 2003 19:04:04 +0530

Dear Dr. Siddiqi Sb,

ASAKM,

Can you please look in to my request and guide me. Your earliest response will be helpful to me. Wassalam.

Haroon

Question:

From: haroon

Sent: Monday, September 08, 2003 5:53 PM

Please guide me to understand Shari'ah point about below issue. It will help me to go or not to go for benefit of one of my salary component. Please reply ASAP.

Wassalam. Haroon

In the name of Allah most beneficent most merciful.

By the grace of Allah, I am fine and expect you will be good in health and Imaan.

I understood from Qur'an and Sunnah that "Muslim has to keep away oneself from transaction of interest ('soodi Karobar') in one or other form. In my current job I am in kind of situation where I am not able to decide firmly whether to take benefit of one of the salary components or not. Situation as below...I am working

in Wipro Technology Ltd from past 3 years. From Oct, 2002 I am upgraded to position of manager. In my revised pay package, under salary component (called as Wipro benefit Plan ...WBP) I am eligible for Company leased car. Under this scheme, company decides EMI based on lease period. EMI is calculated from current interest rate and lease period. For example, current interest rate is 9% and one has opted for 5 years period of lease, it gets converted in interest rate Per

Thousand per Month. EMI for 4 lac value car for period of 5 yrs lease will be =  $400000 * 19.27/1000 = 7708$ . In 5 yr one has to pay  $462480 + 40000(10\% \text{ of car value for buy back at the end of lease period}) = 502480$ . If any eligible employee opts for this, he/she can get income tax rebate for EMI + CAR maintenance

(including fuel). Lets say one spend 3000 monthly for car maintenance (including fuel). In this case total Income tax benefit for 5 years will be = (EMI + monthly car maintenance) \* month in year \* lease period \* income tax slab =  $(7708 + 3000) * 12 * 5 * 0.3 = 192744$ . In this case benefit to employee from his salary in 5 years = Income tax saved - (amount paid for car - car value) =  $192744 - (502480 - 400000) = 90264$ . If employee buy car by his own or from out side finance company then he/she is not eligible for income tax rebate for any kind of investment on car. Company told this is as per directives of Direct Board of Taxes, India. If employee doesn't utilize his/her WBP component in listed benefit ( CAR lease, HRA, phone bills, 2 children tuition fee , computer lease) then amount in WBP component will be paid as taxable ( I fall in 30% slab of Income tax). It means, per above example, one has to loose 90264 from his/her salary in 5 years if not opting for company leased car. In first look I rejected company leased car option due to 'interest' factor involved in this, though due to my hectic office as well as family activities I am in need of car to save time. In the mean time my Muslim colleagues asked me about this scheme (as they also don't want to touch 'interest' unless it is clear). I just checked my mind whether I am taking extremist position and rejecting benefit which can avail or my stand is correct. To make my mind clear as well as satisfactory answer to my friends, I consulted people who are aware of Islamic Fish in detail. So far consulted people advice not go for this...Reason - As this transaction involved interest and car is not the basic need of life.

Please advise me how to take stand in above situation with details. I will be very grateful for earliest response. Note: - Just For your information, till this date I

involved in interest transaction once only. It was to help other person. No one came to help him as well as I was not in position to help him. So I took loan on my credit. My stand till date, not to involve in 'interest' based transaction in either way.

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### **Legitimacy of Leasing**

From: Monzer Kahf  
Sent: Saturday, August 02, 2003 6:20 AM  
To: Islam on line  
Subject: Leasing and lease/purchase

My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Waseem

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Leasing is permissible, no question about that in all schools of Fiqh. Leasing is covered under the general statement of permissibility of sale that is mentioned in the Qur'an (2: 279) because lease is a sale of the usufruct (the right to use) of a property. There is no differentiation in the Shari'ah between what is called financial lease and operational lease (this distinction is used practically for tax/accounting purposes only. Both operational and financial leases are permissible in the Shari'ah.

Sometimes certain conditions are attached to leases given by conventional banks that are not consistent with the Islamic lease such as charging the lessee with certain costs that are not known/anticipated at the time of contract, such conditions are not permissible because in a lease contract the responsibility/cost of the lessee must be known exactly and determined in the contract itself.

Lease purchase is also permissible because the contract of lease and the contract of sale are not contradictory, they can go along together. Obviously lease/purchase consists of leasing the part owned by the bank and an agreement to sell the same on installment whereby the rent declines from one payment to the next in accordance with the distribution of ownership at that moment. This agreement is binding religiously; it is also binding in Islamic courts if breaking it causes any damage to the seller because it is actually a promise to make a series

of sale contracts in the future each one of them is when each installment purchase is affected.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Saturday, August 02, 2003 1:02 AM

To: Monzer Kahf

Subject: Leasing on installments

Name of Questioner Waseem Gender Male Age 31-45

Education High School Date Submitted 7/24/2003

country of Origin Pakistan User Ref. No. A7CX8H country of Res. Pakistan

Dear Sir, Assalam Alaikum, Please let me know in detail, is leasing(getting things on installments/rent) Halal in Islam if the whole process is done within time period agreed at the time of agreement and no additional charges are paid. I need an urgent reply so please be needful. Jazakum Allah Khairan. Wassalam, Waseem.

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From: Monzer Kahf

Sent: Monday, June 02, 2003 6:22 AM

To: Islam on line

Subject: Further Explanation on Leasing

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mehdi

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Are you sure your description of the involvement of a third party in car leasing is exactly the way you describe it? You said "but in others basically it is Riba (The car company gets the total amount from the bank and then you have to reimburse the bank with a fixed interest)." To the best of my knowledge this description is incorrect and here is the way it goes "the car dealer puts a close in his contract with you that he may assign this contract to a third party. This is usually a bank or a company's financing subsidiary such as Toyota finance company which is a subsidiary of Toyota company. It is true that the dealer gets the price of the car back, but the lease contract remains as it is and you still pay the rent to the new

owner of the car. you do not pay interest and it is not Riba. The car dealer sells his rented property to a third party. If the car dealer were a Muslim what he is doing is quite permissible in the Shari'ah. Remember that he is not selling a debt; he is selling a rented car. and notice that at the end of the lease you normally have the choice to return the car and walk out, to buy it at a given price or to make a new lease contract on it. where is the Riba then? I understand the confusion you got. it is caused by the knowledge you, and we all, have that banks and finance companies usually work on the basis of Riba and even when they make some contracts that are not loans but lease they still compare them with the interest and make their decision on the basis of this comparison. But that is the bank's business not yours. Your contract with it a lease contract and lease is permissible. How about if your bank accept to finance your home on the basis of lease/purchase instead of lending, wouldn't that be permissible even though the banks look at it as equivalent to lending from its point of view?

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Saturday, May 31, 2003 12:16 AM

To: Monzer Kahf

Subject: Further Explanation on [ Leasing]

Name of Questioner Mehdi Gender Age

Education

Date Submitted 5/25/2003

country of Origin

User Ref. No.1TB97A

country of

Residence

Salam Alaikum Dear scholars. I read pretty much every fatwa on the website about leasing. I still need a further explanation though. When it is about financing a car, in some instances, the car company is doing its own financing, so there is no third party involved but in others basically it is Riba (The car company gets the total amount from the bank and then you have to reimburse the bank with a fixed interest) My understanding of that is that it is not allowed (correct me if I am wrong). My problem is leasing, since you only lease the car with the intention of returning it at the end of the lease. In the case of the car company getting involved with a third party, (as described in financing above) does it still count as Riba? I am really mixed up after spending a long time researching the subject. A thorough answer would be much appreciated. Jazakoum Allah Khairan

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From: Monzer Kahf

Sent: Sunday, May 04, 2003 8:37 AM

To: Islam on line

Subject: Leasing Transaction

My Answer:

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in  
Dear Br. Muhammad

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Leasing is certainly one of the important modes of interest-free financing. It is one of the Islamic alternatives to Riba financing.

You need to remember that financing lease must fulfill all the implications of the lease contract known in Shari'ah including points related to insurance, maintenance, taxes and complete knowledge of all the cost of lease at the time of contract.

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

Question:

From: Islam on line  
Sent: Saturday, May 03, 2003 12:39 AM  
To: Monzer Kahf  
Subject: Leasing Transaction  
Name of Questioner Muhammad      Gender Male      Age 21-30  
Education Post Graduate      Date Submitted 4/24/2003  
country of Origin Pakistan      User Ref. No. ZD9ET5      country of Res. Pakistan

Can leasing transaction be regarded as an Islamic mod of financing?  
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From: Monzer Kahf  
Sent: Wednesday, October 29, 2003 10:02 AM  
To: Michael  
Subject: Lease Versus Mudarabah

My Answer

Dear Br. Michael  
Assalamu Alaikum wa Rahmatullahi wa Barakatuh,  
The prophet business was all before revelation; it does not stand as a source of religion, not even for a preference. To the best of my knowledge there is no authentic report that he worked with Khadija, May God be Pleased with her, on

Mudarabah. This appears in some of the biography books but it is not necessarily authenticated. Pre-assigned profit for capital is not permitted in business that is correct. But in sale and Ijarah you have to take the whole project. A Lessor takes the risk of owning and managing and the lease contract is the final stage of his project. So is a trader/merchant, the sale contract is the final stage of his project. At this stage he may have a fixed profit. A trader has already taken the risk of his trade from the moment he purchased the goods. Murabahah to the purchase orderer is only quick module of a trader' project because it puts together the whole trading project and carries it to the limit of permissibility. This is why its two contracts must follow one another and there ought to be possession in between.

Besides, the time value is also denied by the same people, take for instance the article by M F Khan and my comments on it both published in the journal of the center of King Abdulaziz U, Jeddah.

Wassalam  
Sincerely,  
Monzer Kahf

Question:

From: Michael  
Sent: Wednesday, October 29, 2003 7:55 AM  
To: Monzer Kahf  
Subject: Re: Ramadan Karim

Dear brother Monzer Kahf,  
As Salamu alaykum wa Rahmatullahi wa Barakatuh,  
Indeed I know Prof. Nienhaus and I support him in some of his projects. Further to that I am publishing articles in German and English about Islamic Finance with the aim to promote it and to look up funding opportunities from the beginning of next year on. The business strategy comprises a company focusing and servicing the sales agents regarding Islamic financial products and the creation of a Shari'ah compliant leasing company. The memorandum will be finished till end of the year InShaAllah.

Thanks for your quick answer which clarifies for me the reason why so often is said that Musharakah has preference. I found e.g. in Usmani's "Introduction to Islamic Finance" the point on p. 19 "The real and ideal instruments of financing in Shari'ah are Musharakah and Mudarabah." Throughout his book I missed the foundation of it in Shari'ah. As this topic always rises up in discussions (and in the IBF Net) I wondered why I could not find any religious argument for it. The only one frequently cited was the closeness of Riba with pre specified Ribh which I cannot accept as this would forbid the Halal as well if consequently applied.

My limited knowledge leads to the point that our prophet Muhammad (s.a.s) himself did work on the basis of Mudarabah. Is this point right? Could we argue then that from the legal point of view all financing modes are acceptable (Halal)

however our prophet (s.a.s) worked on the basis of Mudarabah, which points us to a non binding tradition?

Best regards wa Salam,

Michael

My Answer

From: Monzer Kahf

To: Michael

Sent: Monday, October 27, 2003 2:50 PM

Subject: RE: Ramadan Karim

Dear Br. Michael

Assalamu Alaikum wa Rahmatullahi wa Barakatuh,

Ramadan Mubarak to you and your family too,

There is no such preference in Shari'ah of Musharakah over Ijarah or Murabahah. You will not find any reference to such a thing in the Qur'an and Sunnah. It was only a fantasy by Ibn Taymiyyah that he med philosophical argument for it not a Shari'ah argument. It is carried over by the group of writers that like to distance themselves farther from any thing that carries the slightest fixity, on an implicit assumption in their mind that fixity must be closer to prohibition because it is similar to interest. There was an article attacking Ijarah (actually from an Islamic/Marxist point of view that consider labor the source of value) is the Journal of the Center for Research in Islamic Economics, Jeddah, written by some sub-Continent Muslim (where this inclination is common) with the name of either Salim or Zubair, it was some time ago, early nineties or late eighties.

BTW, I recently met Nienhous In Bahrain and he said that he knows you and you cooperate with his Center in Bokhom.

Best Wishes,

Wassalam

Sincerely,

Monzer Kahf

Question:

From: Michael

Sent: Sunday, October 26, 2003 11:52 PM

To: Monzer Kahf

Subject: Ramadan Karim

Bismillah,

Dear Shaikh Monzer Kahf,

AA,

Ramadan Karim wa Mubarak.

InShaAllah you are in good health.

Currently I am looking for sources in Qur'an and Sunnah, Ahadith, which are stating or enable us to follow from them that Musharakah is in preference of Ijarah and Murabahah.

I am missing in the overall discussions the Islamic foundation of it. May you help me out to include those sources in future articles if available?

Actually I enclosed a link to your website on my new portal: section "papers"  
InShaAllah this pleases you.

Best regards wa Salam,  
Michael