

# FATAWA LEASING 2007

## Is leasing permissible?

**Subject: leasing and 401K retirement program**

From: Suhaib

Sent: Sunday, July 22, 2007 10:20 PM

### Question

Dear Dr. Kahf: Assalamu Alaikum Wa Rahmatullahi Wa Barakatuh.

I have two questions to ask you about with respect to Islamic financing. The first question pertains to Leasing Contracts. Is it permissible in Islam to sign a leasing contract for a car (new or used)? If there is a percentage of profit in the leasing contract or not, does that make any difference? The second question is with respect to retirement benefits. There is a retirement plan called the 401K which takes a monthly deductible and collects it until retirement. Is this permissible in Islam? I thank you in advance and Jazakallahu Khair.  
Suhaib

### My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Suhaib

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Leasing is permissible in Shari'ah but to advice about signing a lease contract I need to see that contract because many pf the lease contracts in America have certain conditions that are not permissible. This is especially so in the case of delinquency, interest inclusion in the contract and rental payment in case of total damage of the insured asset (especially in car leasing). Retirement programs such as 401K and IRA are permissible to offer and to accept from employers. However, in both one has to select shares investment funds that are permissible from Shari'ah point of view. You know, shares of companies whose main line of business is prohibited are also prohibited to own and to invest in within a mutual fund. There are funds that follow Islamic criteria for investment both in US and Canada and in several other countries.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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