

# FATAWA LEASING 2013-2015

From: Youssef

Sent: Tuesday, August 28, 2012

**Question: Car leasing**

Assalam Alaykum Dr. Monzer,

I am presently looking at leasing or buying a vehicle. I would like to know if the attached agreement would be permissible? In addition I was wondering if there are any of the car companies like Dodge or Honda or Toyota financing that is permissible for leasing or buying?

Please let me know

Jazaka Allah Khayran

**My Answer:**

Bismillah al Rahman al Rahim

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

Dear Br. Youssef

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I looked at the attachment. But I cannot give you a fatwa on such a long agreement without studying it in details. That will take me at least 4-6 hours and I cannot schedule it before the end of September. While I give Fatwa free of any charge I do charge for my time when I need to spend time for research and evaluation. My charge is \$495 per hour. If you agree I need an advance payment and I can give you my opinion on this contract between Oct. 4 and 7.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Samy

Sent: Thursday, July 18, 2013

**Question: Car lease transfer**

Dear Dr. Monzer, as-Salamu Alaykum wa Rahmatu Allah wabarakatu.

I hope this e-mail finds you in the best of health and Iman.

Below is a financial question from a community member in Canada about car lease from another person who had the car lease with interest.

Here is the question

I am interested in taking over a car lease from somebody. This person leasing the car for \$387 a month. She is willing to pay some money every month so my lease payment becomes \$269. That means she is paying 118 \$ a month. I will take over the lease. However the contract of that lease is based on 2.99 percent interest. Is that allowed even though she is giving me a big difference way more than the amount of the interest rate.

Jazakum Allah Khayran.

Imam Samy, Ottawa Main Mosque

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala

Aalihi wa Sahbihi Ajma'in

Dear Br. SAMY

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

If it is a lease, it cannot be based on interest. In a lease you pay rent not interest. It is true that all leases (their rentals) are calculated by using an interest rate. If this is what you mean, it does not matter as long as it is a lease. Otherwise if it is based on interest then it is interest!

The transaction as described is permissible in its idea because a lessee may sub-lease at any rate of rental. What remains is the detailed conditions. In Leases in North America usually there are two conditions that violate Shari'ah: 1) interest in case of delinquency and 2) filling the gap (continue pay rent although there is no car available to use) in case of accident. Delinquency interest can be avoided by punctuality in payment and let us pray that no accident happens.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Umar

Sent: Wednesday, June 04, 2014

**Question: Ijarah in Islamic Finance**

Dear Sir,

I am a financial consultant from Nigeria with residence in Kano. I have some questions relating to Islamic financing which I want to have your views on. The questions are inter-related and are as follows:

1. In an Ijarah Financing, when is the Ijarah rental supposed to be paid by the lessee? Is it on receipt of the Asset by the lessee or on actual disbursement for the assets by the lessor?

Rent is payable at any time by consensual condition in the contract. It can be long before, before or at time of delivery of asset to start deriving usufruct. It can also be delayed to a short or long. It can be lump sum or installments. It has nothing to do with date of beginning of usufruct or its duration. All there is: this y rent is for this x period.

2. Is it permissible under Shari'ah to accrue and charge rental on the money disbursed by the bank before the delivery of the asset to the lessee (i.e. before taking possession by the lessee)?

Accrual No. But I can make a contract for 10 month at rent 120 each month when I know that there is 2 month period before delivery. If I want to get 10% on my disbursement, the amount I collect is 1200 anyway (it is equivalent for 10% per month for the whole period of disbursement). Payment date can be distributed on 12 month although accrual is for 10 month only.

Money does not earn rent because it does not produce usufruct.

3. Is it permissible under Shari'ah to accrue for rental on an Ijarah facility for an asset under construction before the actual delivery of such to the lessee and the deferment of such payment until such a period after the lessee takes possession of the asset.

Don't mix thing. This is answered in the 1 and 2.

4. Is it permissible under Shari'ah to charge rent on the principle of 'time-value- of money' for amount used in acquiring the asset that will be leased to a lessee subsequent to his (lessee's) taking possession of the asset.

Time value of money is not real, it is fake. Time value of assets is real. The difference is utility generated by assets not by money. An Islamic bank maximizes the return to depositors and

shareholders through calculation higher rent per unit of time for the period of usufruct so that it compensate for the period of disbursement without usufruct.

I look forward to receiving your reply.

Thank you sir,

Umar

**My Answer:**

Bismillah al Rahman al Rahim

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

Dear Br. Umar

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Please see my answers below your questions:

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Abdul muied

Sent: Tuesday, August 04, 2015

**Question: Lease dispute**

Dear Sir Assalamualikum,

Below is the case involving a shop and some issues surrounding its renting. We will be grateful if you can enlighten us on this important issue.

The case -

People involved in the case?

The Landlord

Tenant 1

Tenant 2

In 1996, a shop was transferred to tenant 2 from tenant 1 with the approval of the Landlord. The Landlord didn't have any problem as he was concerned for his monthly rent. The tenant 2 as per the business deal, and as per the local business custom, gave Tenant 1 an amount of Rs 40000, again with the knowledge of the Landlord, to vacate the space of the shop. Now, after 19 years the Landlord demanded a sum of 3 lac from tenant 2 or made the offer to vacate the shop and leave it. The landlord wishes to give the shop to someone else from where he can get 3 lac or so and then also the monthly rent. It is to be noted that when the shop was handed over to the tenant 2, there was no agreement with regards to the time period it was going to be with tenant 2.

Questions that we would like to have answers for ?

1. Is it legitimate for the Tenant 2 to vacate the shop considering the sudden demands of the landlords?

This question is incorrect, it is better: would the landlord have a right to ask the tenant 2 to vacate? My answer is yes considering that there was no deadline of the contract, we apply the general rules of terminating with a notice that is usual and customary. It may be one month or three month notice, usually not more. The landlord has this right because it is his property. The amount paid by tenant 2 to tenant one is between them and the landlord then did not object to all arrangements of that time. The tenant 2 did not set a date of deadline to protect his rights.

2. How proper is the demand of 3 lac or any some of money by the landlord in between?

The landlord may ask for a higher rent at each renewal of contract. The renewal is either every month or maximum each year as long as there is no date determined in the contract. if he asks for a lump sum

(this 3 lacks) there must be with it a determination of a period, such as for renewal for three years I want you to pay me now 3 lacks and every month x amount. asking for such a payment with no contract deadline makes the transaction incomplete and must either be cancelled or deadline added. Then this amount becomes as an addition to the rent which may then consists of now x amount and y amount every month. This is permissible.

3. Even if the shop is vacated how much money should tenant 2 demand, considering he was demanded a sum of Rs 40000 in 1996 that he gave?

He has no right to demand any amount. Shari'ah does not give such a right unless there is a contract for a given period and he is asked to vacate before end of contract. American laws consider such a demand if it happens, criminal!. He paid the 40000 consensually then.

4. Who should give that demanded sum of money to the tenant 2 ? landlord or the tenant 3?

No one is obligated to do so., it is a matter of consensual and negotiable contracts.

Thanks and Regards,

Abdul Muied

**My Answer:**

Bismillah al Rahman al Rahim

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

Dear Br. Abdul Muied

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Please see my answers below your questions:

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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