117956 - He was late in paying back in instalments so he suggested rescheduling the payments and increasing the amount

the question

My question is about buying by instalments. For example if I buy a product for one thousand pounds, for example, and I sell it for instalments over a specific period for one and a half thousand, for example, but it so happened that one of the customers was several months late in making a payment, then after that he asked me to increase the price of the product and hence to increase the size of the instalments, because of his lateness in paying. He also asked me to reschedule the payments based on the new price – for example instead of paying a monthly instalment of 150 pounds, he would now pay a monthly instalment of 170 pounds. My question is: is this increase in the amount of the instalment considered to be riba?.

Detailed answer

Praise be to Allah.

Firstly:

It is permissible to sell by instalments for a price that is higher than the price paid in cash, as has been explained previously in the answer to question no. 13973

Secondly:

If the purchaser who owes money is late in paying instalments that were due on a particular date, it is not permissible to force him to pay any money that is additional to the debt, because that is riba which is haraam, as was stated in a resolution of the Islamic Fiqh Council. Please see the answer to question no. 1847

This is the riba of the jaahiliyyah, which the Muslims are unanimously agreed is haraam. (During the jaahiliyyah) payment of the debt would be postponed in return for increasing the amount

owed.

Based on that, what the purchaser has suggested of rescheduling the payments and increasing the amount of the instalments because of the delay is a suggestion that is invalid according to sharee'ah, and it is not permissible for you to accept it, because it is riba which is haraam, even if the purchaser agrees to it. You have to wait and give him extra time until he is able to pay you back, as Allah, may He be exalted, says (interpretation of the meaning):

"And if the debtor is in a hard time (has no money), then grant him time till it is easy for him to repay"

[al-Baqarah 2:280].

If the purchaser has enough money to pay off the instalments, but he is taking too long to do that and is delaying it without any excuse, that is haraam for him.

And Allah knows best.