

104815 - Buying a car from the car company via the company's bank

the question

I live in Germany. Every car company has its own bank, Mercedes for example has a Mercedes bank, BMW has its own bank as well and so on. Selling in instalments happens via the company's bank. What is the ruling on buying a car in instalments from such companies? Bear in mind that there is no third side in the selling process.

Detailed answer

Firstly:

If the purchase is made from the bank, then it is essential that the bank should own the car, or buy it for itself first, then sell it to you by instalments.

But if it does not own the car, and does not buy it for itself first, rather its role is limited to paying the company the price of the car on your behalf, then getting the money back from you in instalments with something extra, this is not permissible, because in fact they are lending you the price of the car, and paying it on your behalf, on the basis that you will repay the loan with interest, so it is a loan which brings a benefit, so it is *riba*.

The fact that the bank belongs to the company does not mean that it owns the cars that the company owns. Hence we stipulated that the bank should take possession of the car first, before selling it to you.

For more information please see the answer to question no. [20091](#) and [36410](#).

Secondly:

If the purchase is made from the company with no involvement of the bank, there is nothing wrong with that, even if the price of purchase by instalments is higher than the price paid in cash, because the company is selling something that it owns.

As for involving the bank in this transaction, if it is only to make you pay the instalments through the bank to the company, then there is nothing wrong with that. But if the bank is to pay the full amount to the company then get it back from you in instalments, then this is riba, as stated above. This form is common in transactions with car companies, so you have to pay attention and beware.

And Allaah knows best.