13973 - It is permissible to raise the price of a product in return for paying in installments

the question

Is it permissible to sell by installments when the price of the product is increased?.

Detailed answer

Selling in installments means that you get the product sooner and pay all or part of the price later in known installments over a known period of time.

The importance of knowing the ruling on this matter:

Buying by installments is one of the issues where we should pay attention to finding out the rulings, because it has become very widespread in dealings on the individual and international level after the Second World War.

So companies and corporations buy products from the suppliers by installments, and they sell them to their customers by installments, such as cars, real estate and tools, etc.

One of the things that led to this becoming widespread is the fact that some of the banks also deal in such transactions, whereby the bank buys the product with cash and sells it to its customers by installments.

Ruling on buying by installments.

There is a text which states that it is permissible to buy by installments, which means buying a product and delaying payment.

Al-Bukhaari (2068) and Muslim (1603) narrated from ‘Aa’ishah (may Allah be pleased with her) that the Prophet (peace and blessings of Allah be upon him) bought some food from a Jew to be paid for later, and put an iron shield in pledge for it.

This hadeeth indicates that it is permissible to make a purchase with delayed payment, and buying by installments is nothing other than buying with delayed payment; all it means is that the price is divided into amounts, each of which must be paid at a certain time.

There is no difference between the shar'i ruling on a case where the whole price is paid later at one time, or where the price is paid later at different times.

Al-Bukhaari (2168) narrated that 'Aa'ishah (may Allah be pleased with her) said: Bareerah came to me and said: "I drew up a contract of manumission with my master stating that I would pay nine waqiyaha, one waqiyah each year." [A waqiyah is a weight of silver etc].

This hadeeth indicates that it is permissible to pay later in installments.

Even though the texts state that it is permissible to delay payment, there is no text which states that it is permissible to increase the price in return for that delay.

Hence the scholars differed concerning the ruling on this issue.

A few scholars said that it is haraam, on the grounds that it is riba. They said: because this is increasing the price in return for the deferment, and this is riba.

But the majority of scholars, including the four imams, were of the view that it is permissible.

The comments of the scholars of the four madhhabs concerning this include the following:

The Hanafi madhhab: "The price may be raised in return for delaying payment," (Badaa'i' al-Sanaa'i', 5/187)

The Maaliki madhhab: "For more time some amount may be added to the price." (Bidaayat al-Mujtahid, 2/108)

The Shaafa'i madhhab: "Five in cash is equivalent to six in deferred payment." (al-Wajeez by al-Ghazaali, 1/85)

The Hanbali madhhab: "Delay add something to the price." (Fatawa Ibn Taymiyah, 29/499).

They quoted evidence from the Qur'aan and Sunnah to support that, including the following:

1 – Allah says (interpretation of the meaning):

"Allah has permitted trading"

[al-Baqarah 2:275]

The general meaning of this verse includes all forms of trading, which includes increasing the price in return for delaying payment.

2 – Allah says (interpretation of the meaning):

"O you who believe! Eat not up your property among yourselves unjustly except it be a trade amongst you, by mutual consent"

[al-Nisa' 4:29]

The general meaning of this verse also indicates that trading is permissible if there is consent from both parties. If the purchaser agrees to pay a higher price in return for delaying payment, the transaction is valid.

3 – al-Bukhaari (2086) narrated that Ibn 'Abbaas (may Allah be pleased with him) said: The Prophet (peace and blessings of Allah be upon him) came to Madeenah when they used to pay in advance the price of fruits to be delivered within two or three years. He said, "Whoever pays in advance the price of a thing to be delivered later should pay it for a specified measure at specified weight for a specified period."

Bay' al-salam (forward buying) is permissible according to the texts and scholarly consensus, and it is akin to purchase by installments. The scholars mentioned that the wisdom behind it is that it benefits the purchaser by reducing the price and the vendor by bringing him money sooner. This indicates that something may be added to the price in return for delaying payment, and that there is nothing wrong with this when buying and selling. See al-Mughni, 6/385.

4 – The actions of the Muslims indicate that it is permissible to increase the price in return for delaying payment, and none of them denounced that. So it became like consensus (ijma') that this kind of transaction is permissible.

Shaykh Ibn Baaz was asked about the ruling on increasing the price in return for delaying payment, He said:

There is nothing wrong with this transaction because paying cash for the product is different from delaying payment. The Muslims are still doing such transactions and this is like consensus that it is permissible. Some scholars held an odd opinion and said that it is not permissible to increase the price in return for delaying payment, and they thought that this was a kind of riba, but this is a baseless view. It is not a kind of riba at all, because when the dealer sells the product to be paid for later, he agrees to the delay so that he may benefit from the increase in price, and the purchaser agrees to the increase so that he may take his time and because he is unable to pay the price in cash on the spot. So both of them benefit from this transaction. There is a proven report from the Prophet (peace and blessings of Allah be upon him) which indicates that this is permissible; he commanded 'Abd-Allah ibn 'Amr ibn al-'Aas (may Allah be pleased with him) to equip an army and he was buying one camel for two camels, to be handed over at a later date. Moreover this transaction comes under the general meaning of the verse in which Allah says (interpretation of the meaning):

"O you who believe! When you contract a debt for a fixed period, write it down"
[al-Baqarah 2:282]

This transaction is one of the permissible kinds of debt that are mentioned in this verse; it is also akin to forward buying (bay' al-salam).

Fatawa Islamiyyah, 2/331

See Bay' al-Tasqeet by Dr. Rafeeq Yoonus al-Masri

And Allah knows best.