

2143 - Ruling on dealing in bonds

the question

What is the ruling on dealing in bonds that produce fixed returns?

Detailed answer

A bond is a certificate which, according to its terms, obliges the issuer to pay the bearer the face value plus the agreed amount of interest when it reaches maturity, or to pay other benefits, such as prizes awarded by drawing lots, or payment of a fixed amount, or any discount.

The Islamic Fiqh Council has researched the matter of dealing in bonds and issued the following statement:

1. Bonds which represent a commitment to pay the face value plus interest, or conditional benefits, are haraam according to sharee'ah, whether one is buying, selling or handling them, because they are considered to be interest-based loans. This applies whether they are issued by private companies or by public bodies run by the state. The fact that they are forbidden is not affected by giving them other names such as "certificates", "investment documents" or "savings", or calling the interest "profit", "commission" or "returns".
2. Also forbidden are bonds that offer prizes, because these are loans made on the condition that the benefits or increase will go to the group loaning the money, or to one of them, who is not specified at the time of investment, in addition to the fact that this is based on the idea of gambling.
3. AFrom the alternatives to forbidden bonds, to sell, buy or handle, is bonds or documents based on bidding for a specific project or activity from which the owners will not benefit in any definite way, but will only receive a share of the profits according to the number of bonds or documents that they own, and they will only receive this profit if the project is actually carried out.

And Allaah knows best.