

480116 - What is the ruling on buying gold ingots from the Internet or the bank and keeping them for the client?

the question

I live and work in Germany, praise be to Allah. I have saved up some money, and I want to buy a gold ingot through the bank. I have an account with this bank, and the way to do it is either to buy online and they will keep a piece of gold in my name, and deduct the money from my account, or I can order it directly from the bank, and they will do the same thing [that is, keep it for me]. Is this permissible? Is it regarded technically as receiving the item, meaning that it could be considered the same as receiving it in my hand?

Detailed answer

Firstly:

When buying gold for cash, it is stipulated that the exchange must be done as soon as the transaction is concluded.

That is because of the report narrated by Muslim (1587) from ‘Ubadah ibn as-Samit (may Allah be pleased with him), who said: The Messenger of Allah (blessings and peace of Allah be upon him) said: “Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, salt for salt, like for like, same for same, hand to hand. But if these commodities differ, then sell as you like, as long as it is hand to hand.”

Currencies come under the same rulings as gold and silver.

In a statement of the Islamic Fiqh Council belonging to the Organisation of the Islamic Conference (OIC) it says:

With regard to the rulings on currencies, they are regarded as money because items are valued and priced on the basis of these currencies. They are subject to the same rulings as gold and

silver with regard to riba (usury), zakah, sallah transactions (payment in advance) and all other rulings.

End quote from *Majallat al-Majma'*, issue no. 3, vol. 3, p. 1650; issue no. 5, vol. 3, p. 1609.

What is meant by receiving money is receiving it in one's hand in a real sense or in a technical sense, when it is deposited in the seller's account.

Receiving gold in a real sense means that you receive it yourself or through a proxy who is acting on your behalf.

Receiving it in a technical sense means that the gold is deposited in an account that belongs to you in such a way that you are able to take the gold itself – not its value – from the account at any time after the deal is concluded.

So it is essential that the exchange of the two items (the money and the gold) takes place in the sitting in which the deal is concluded, meaning that the money goes into the seller's account and you receive the gold in a real sense in your hand, or in the hand of the proxy acting on your behalf, or the gold is deposited in an account that belongs to you.

It says in *al-Ma'ayir ash-Shar'iyyah* (p.1330, no. 57) regarding gold: When selling gold for gold or for silver or for any other currency, the two items must be exchanged in the sitting in which the deal is concluded, either in a real sense or in a technical sense. End quote.

If the gold will not come into your account until after a while, or you cannot dispose of it until after a while, then the required exchange has not taken place, and the transaction comes under the heading of riba an-nasi'ah, which is haram.

Secondly:

If the bank can buy the gold for you, and the bank is able to receive the gold in the same sitting in which the deal is concluded, then there is nothing wrong with that, as the bank will be acting as a proxy on your behalf.

Similarly, if the bank owns gold which you can buy from it, the exchange can be done on the spot, and the gold will go into an account that belongs to you in the same sitting, there is nothing wrong with that, because that is technically taking possession of it.

But if these exchange cannot be done on the spot, it is haram to buy the gold.

Thirdly:

Islamic standards permit a type of technically receiving the gold when buying gold ingots. This is as follows:

Technically taking possession [of the gold] may be done by identifying a specific ingot and enabling the purchaser to take possession of it and dispose of it; or by issuing a certificate of ownership which proves ownership of a particular ingot which is distinguished from others (“allocated”) by means of numbers stamped on the ingot and similar markings that distinguish it from others, on condition that the certificate is issued on the day on which the transaction is done (Trade Date T+0) by an entity that is recognised by law and by custom, which allows the purchaser to take physical possession of the purchased ingot whenever he wishes.

Based on that, it is not permissible to sell a non-specified ingot without the purchaser taking possession of it in a real sense. That includes what is known in the market as “unallocated” ingots. End quote.

If these guidelines are adhered to and implemented, it is permissible to buy the ingot from the website or from the bank, and the gold will be a trust that is held by the bank, but the bank will not be liable for it except in the case of wilful damage or negligence.

And Allah knows best.