103416 - Taking money from the insurance company with the stipulation that more be paid in the event of delay

the question

There is a foreign (European) company that provides credit and real estate investment offers to who requires credit facilities, by issuing bonds within three months of signing the contract with them.
The conditions of this company includes: fixed interest of 7% to be collected yearly. Also the capital money will be returned to the company after 10 years of selling the bonds and paying the yearly interest of 7%. In return for this, the company finances the projects completely.
The warranty of paying off and returning the capital money:
· For the credit: warranty of loan or an additional warranty agreed upon between both sides.
· For interests: a contract and the warranty of bonds via an insurance company suggested by the financing company.
The question:
Is it permissible to deal with this company? It is not an Islamic company, and people who work in it are not Muslims.
If it is not permissible, then are we allowed to take a loan from this company to be paid off in installments, then to pay the whole loan off before the time of paying an interest comes? This company does not obligate us to pay interest in case of paying off on time and returning the capital money before the time of the interest comes.

Detailed answer

Praise be to Allah.

It is not permissible to deal with this company or with the interest system or insurance system. The former is because it is an obvious riba-based loan and it is well known that riba is haraam and that there are stern warnings against it. The scholars are unanimously agreed that every loan in

which additional payment is stipulated is riba.

It makes no difference if the riba is with a Muslim or a kaafir, and there is no difference between the one who consumes the riba by taking interest or the one who pays it.

Allaah says (interpretation of the meaning):

“O you who believe! Fear Allaah and give up what remains (due to you) from Ribaa (from now onward) if you are (really) believers.

279. And if you do not do it, then take a notice of war from Allaah and His Messenger but if you repent, you shall have your capital sums. Deal not unjustly (by asking more than your capital sums), and you shall not be dealt with unjustly (by receiving less than your capital sums)”

[al-Baqarah 2:278-279]

Muslim (1598) narrated that Jaabir (may Allaah be pleased with him) said: The Messenger of Allaah (peace and blessings of Allaah be upon him) cursed the one who consumes riba and the one who pays it, the one who writes it down and the two who witness it, and he said: they are all the same.

Ibn Qudaamah (may Allaah have mercy on him) said:

“Every loan in which it is stipulated that something extra must be paid back is haraam, with no difference of scholarly opinion. Ibn al-Mundhir said: [the scholars] are unanimously agreed that if the lender stipulates that the borrower must pay extra or give him a gift, and he lends him money on that basis, then accepting the extra payment is riba. It was narrated from Ubayy ibn Ka’b, Ibn ‘Abbaas and Ibn Mas’ood that they forbade every loan that brings benefits.”

Al-Mughni, 6/436.

With regard to taking money via the insurance company, with the stipulation that extra be paid in the event of delay, this is not permissible either, even if the person resolves to pay it back. That is for two reasons:

1 – This is a haraam, riba-based contract, so it is not permissible to sign it or enter into it or approve of it.

2 – A person may delay paying it for some reason or another, such as forgetting, sickness and so on, and so he will fall into riba.

Shaykh Ibn ‘Uthaymeen (may Allaah have mercy on him) was asked: Banks give their clients a card called “Visa” which enables the customer to withdraw money from the bank even if there is no money in his account at that time, on the basis that after a specific amount of time has passed, he will repay the bank, and if he does not pay within this set time, the bank will charge interest, more than the amount withdrawn. The customer also pays an annual fee for using this card. Please tell us the ruling on using these cards, may Allaah reward you with good.

He replied: This transaction is haraam, because it involves a commitment to pay ribaa (interest) if one does not pay within a certain time. This is an invalid commitment even if a person believes or thinks it most likely that he will pay before the time is up, because things may change and he may not be able to fulfil the commitment. This is a matter which has to do with the future and man does not know what will happen to him in the future. So this kind of transaction is haraam. And Allaah knows best.
Shaykh Muhammad ibn Saalih al-‘Uthaymeen, Al-Da’wah magazine, issue # 1754, p. 37

Based on this, it is not permissible to deal with this company in the manner mentioned in the question, because it is obvious riba which is forbidden by Allaah and His Messenger.

And Allaah knows best.