281028 - He receives dollars from a customer in America to exchange them for pounds in his country, in return for commission

the question

I work as an agent for money exchange business. My customer in USA has dollars for example and wants me to get him pounds. We agree on a rate then he pays me dollars in bulk upfront, so i will go and gather the pounds for him from my “UK suppliers” within a day or 2, so no exchange occurs between me and my USA customer.He knows i get my commission for my service from the rate we agreed.Once he pays me dollars, i remove my commission then i distribute the dollars to my “UK suppliers” so that they can help me get the pounds. My “UK suppliers”are of 2 kinds: My 1st type of “UK suppliers” also gets the dollars from me upfront (before collecting pounds from their private customers who actually owns the pounds).This type of “suppliers” are my sub-agents, so no exchange occurs between me and them.After collecting dollars from me, they go ahead to do the money exchange with their private customers who pays pounds and collects dollars.Then the pounds is paid to me and i pay my USA customer My 2nd type of “suppliers” have already collected the pounds from their private customers. Hence i always ensure i do spot transaction with this type of “suppliers” since they have the pounds already in their hands.They pay me pounds and I pay them dollars within seconds or maximum of about 10mins. Pls kindly advise if my role above is halal. How is “spot transaction” practised in today world where money exchange needs to be done inter cities/country.Is there any specified range of time for spot

Detailed answer

Praise be to Allah.

Firstly:

It is permissible to work as a middleman in currency exchange in return for a set commission, if you adhere to the Islamic condition of exchange, which is that the exchange should take place immediately.

The customer in America can send you dollars for you to exchange for pounds, which you then send to him, in return for commission. This work of yours comes under the heading of acting on behalf of someone else in return for a set fee. Thus you make a deal with the customer in America that you will act as an agent (wakeel) on his behalf, and you agree with him on your fee.

One of the conditions of working as an agent is that you should not be liable for compensation of his money if it is lost or stolen without any act of transgression or negligence on your part, and that you will exchange his money for him according to the market price.

Secondly:

You must pay attention to the condition of exchange, which is that the exchange is to be done immediately at the time of the currency exchange, because the Prophet (blessings and peace of Allah be upon him) said: “Gold for gold, silver for silver, … like for like, same for same, hand to hand. If any of these types are different, then sell however you like, so long as it is hand to hand.” Narrated by Muslim (2970).

Dollars, pounds and other currencies are separate categories; they come under the same rulings as gold and silver. Hence it is not permissible to buy one currency for another unless it is hand-to-hand in the true sense of the word.

Real-time exchange is also valid, such as if you receive a cheque – either a regular cheque or certified cheque – or a bank transfer in the currency that it is to be transferred to, or the money is deposited in the two accounts at the same time, even if the two parties are in two different countries.

See the answer to question no. 110938.

You mentioned two ways of doing the transaction:

1. As for the first way, it is not permissible, because there is no immediate exchange, as the sub-agent takes dollars from you and does not give you pounds in the same sitting; rather whenever they can collect it from their customer they will pay you.

2. As for the second way, it is permissible. This is where you give them dollars and they give you pounds within a few seconds, or ten minutes, so long as it is in the same sitting, i.e., in the same place and time, so you do not leave the place until you have received the pounds.

Shaykh Ibn Baaz (may Allah have mercy on him) said: Buying and selling currency is permissible, but that is on condition that the exchange be done hand-to-hand if the currencies are different. So if a person sells Libyan currency for American or Egyptian currency or another type of currency, hand to hand, there is nothing wrong with that, such as if he buys dollars with Libyan currency hand-to-hand, so he takes one and gives the other in the same sitting; or he buys Egyptian currency or English currency, or some other currency, for Libyan currency or some other kind, hand-to-hand – there is nothing wrong with that. But if the exchange is deferred, then it is not permissible. The same applies if the exchange does not take place in the same sitting; that is not permissible because in that case, if it as described, then it is regarded as a type of riba-based transaction. So it is essential that the exchange take place in the same sitting, hand-to-hand, if the currencies are different. But if they are of the same type, then two conditions must be met: they must be similar in quantity and must be exchanged in the same sitting, because the Prophet (blessings and peace of Allah be upon him) said: “Gold for gold, silver for silver…”[– and he quoted the same hadith].

The ruling on currency is as mentioned above: if it is of different types, it is permissible for them to be of different quantities, but the exchange must still take place in the same sitting. If they are of the same type, such as dollars for dollars, or dinars for dinars, then the exchange must take place in the same sitting and they must be of similar quantity. And Allah is the source of strength.

End quote from Majmoo‘ Fataawa Ibn Baaz (19/171)

And Allah knows best.