3

Buying and Selling on Installments
(Bai-Bit-Taqseet)♦

In the age of mass production, several marketing strategies are being applied including sales of commodities on installments. Since, the concept involves realisation of the total selling price after a fixed period, the seller charges a higher price than what would have been the price for cash selling. Accordingly, the value of periodic installments based on the price and period of contract are declared by the seller to attract buyers of the product. The advantage for the buyer under this arrangement is that he/she is not liable to pay the entire price amount at once but it would be paid in easy monthly, quarterly, or yearly installments. However, in the long run he/she is going to pay much more than the normal price. People having small money in hand but wants to purchase costlier things rely on this mode of business deals. In the Tenth Seminar of the IFA, some confusing issues were resolved in the light of Islamic injunctions to guide common men and dealers to perform business in a just manner. The following conclusions were reached upon.

3.1 It is definitely valid and permissible to enhance the price of an item if the deal is struck on credit as compared to that of cash transactions in matters of buying and selling. Such a mode of buying and selling is also valid provided that the terms and conditions regarding the price of the item at the time of credit and the duration of its payment are clearly specified before finalising the agreement.

3.2 Whether the credit amount is paid back in lump sum or in installments, both modes are valid.

3.3 For the sake of such business deals, it is a must that the price is fixed while coming up with an agreement. Initially, only the credit price may be ascertained or both the cash and credit prices.

3.4 In buying and selling on credit it, the escalation in prices does not come under *Riba* (interest, usury) as compared to a cash deal. In cash transactions, the item purchased has a value, whatever is the price of the item may be on similar lines, and the price agreed upon is the product value in credit business deals.

3.5 The demand of any excess money in the event of non-repayment of the product value or installments within the stipulated period of time falls under the category of interest not withstanding the fact that such a condition was spelt out at the time of agreement or later on.

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3.6 If a person keeps something as mortgage with himself and profits out of it somehow, such a profit is nothing but an interest, which is impermissible under any circumstance.

3.7 In case the product kept for mortgage gets damaged or destroyed in the custody of the mortgage, then it is considered that if the product value is equal to the lended amount, there is no obligation on anybody. However, if the product value is less then the balance amount due has to be paid by the mortgagor. In the third case, if the product value is more and the mortgagee is found to have behaved in a callous and careless manner, then the balance amount has to be paid by the mortgagee himself.

3.8 If the requisite amount is not repaid within the timeframe and the mortgagee turns a deaf ear despite the mortgagor's repeated reminders, the latter is permitted to sell off the mortgaged property at a workable value and recover his money.

3.9 It is not desirable for the seller to keep the sold item with himself until all the installments are not paid up in case of a credit deal. Albeit, both the parties should decide that the sold item shall remain in the custody of the seller as a mortgaged property untill the entire installments are paid.

3.10 In a situation where the buyer has given some of the installments and the remaining amount is not paid, the seller has no right to take back the already sold item without returning back the paid installments.

3.11 It is not proper to give the purchased item in the custody of the buyer and term it as mortgage, although it is possible that the seller might take it from the buyer as mortgage and then pass off it to the buyer as a loan.

3.12 Selling off the documents pertaining to credit deals (receipts, share certificates, etc.) to a third person so that, now, he may extract the amount and become the owner, the seller or the person who is entitled to get the money back accepts a lesser amount than the requisite amount isolating, thereby, himself from the deal. Such transactions are impermissible, whatsoever.

3.13 It is valid and permissible if the amount due is reduced and collected instantaneously. Such a deal is valid, if there is no fixed timeframe for the repayment of the debt because it is a sort of *Tabarru* (gift, donation). Nevertheless, if the time duration has been pre-specified, such a deal is invalid since the person supposed to repay back might be taking undue advantage of the time period and coaxing the seller to reduce the due amount.

3.14 It is, however, certainly permissible to demand for the repayment of the entire amount even before the stipulated time period of repayment if the installments are not being delivered on time. It is so because if one of the parties involved in the deal breaches the contract between them, it is no longer obligatory upon the other party to stick to the agreement.

3.15 In case the buyer passes away before the repayment of all the installments, the agreement shall stand as it is, the way it stands valid in the event of the seller's death, provided that the seller agrees upon it otherwise.[1]

[1] The committee, formed to look into various aspects of the credit letter charges has decided to further ponder over this issue.