بسم الله الرحمن الرحيم

Islamic Banking in the View of Islam

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In the modern era, some Western terminologies and labels have appeared in the life of Muslims. These terms are dressed up with Islamic garb, so as to make them acceptable to the Muslims masses until they receive welcome in their life, transactions, public and private relations. The Islamic garb is adorned by some Fatwas, by some Muftis of this era, such that it increases the trust of people for the terminologies. Muslims then come forwards to deal and participate in them wholeheartedly.

Islamic banking, Islamic stock exchanges, Islamic joint-stock companies and Islamic Democracy are amongst these terminologies that have appeared.

One of the most dangerous concepts that have emerged is the so-called Islamic bank. What is the reality of these banks? What is the real purpose of their establishment? Is it correct to say that they are based on Islamic laws, as claimed by their advocates?

Before mentioning the reality of such banks and the Islamic ruling regarding the method of their establishment and transactions, we want to draw the straight line, clarifying the Shariah transactions related to wealth in general. As we know, Islam has clarified the Shariah rulings related to financial transactions, whether they are institutions for wealth or Shariah rulings regarding transactions between the individuals of the society. Amongst these collective transactions for financial and business affairs are exchange transactions, loan transactions, all kinds of sales and lease transactions, company transactions, gifts, donations, and mortgage and deposit transactions.

These Shariah transactions related to finance are precisely elaborated in detail. The Shariah rulings about each and every detail of such transactions are discussed. The crooked paths that deviate from the straight path are clarified. Consequently, these rulings regulate the behavior of a Muslim, so that his transactions are within the boundaries of Shariah. He earns Halaal wealth, abstains from the capitalist transactions that constitute error in the method of transaction, with interest introduced through various doors.

For a pious Muslim, who seeks the pleasure of his Lord, the Almighty, inquiring about the Halaal in earning and precision in the financial transactions, the Shariah mandates for him to ask about the Islamic rulings for his transaction. This is to firmly establish this transaction upon the valid Shariah basis, without bringing Western terminologies that are established upon other than the fear of Allah (swt), mixing between Western conceptions and Islam!

The Western method is diseased in its roots and branches, as its roots are corrupt and vicious, producing corruption and malice alone.

Upon scrutiny of the reality of Islamic banking, we see that the origin of its name neither comes from the culture of Muslims nor from their way of life. Islamic banking is not of the Shariah stipulations related to finance and business.

The word 'bank', with its origin in Western terminology in its meaning and reality, is an interest based institution. There is no coherence between the two realities or between the two concepts, namely, between the word 'bank' and the word 'Islamic'. The process of integrating interest with Islam is a misleading process to beautify the image of interest amongst people. It is to break the barrier between Muslims and interest, about which sound and explicit verses came to establish its severe crime. Allah (swt) says, ﴿**يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِنْ كُنْتُمْ مُؤْمِنِينَ (278) فَإِنْ لَمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِنَ اللَّهِ وَرَسُولِهِ وَإِنْ تُبْتُمْ فَلَكُمْ رُءُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ**﴾ **"O you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers. (278) And if you do not, then be informed of a war [against you] from Allah and His Messenger. But if you repent, you may have**

your principal - [thus] you do no wrong, nor are you wronged." [TMQ Surah Al-Baqarah: 278, 279].

The concept of interest and banks in the Western systems which originally emerged from the idea of economic freedoms, specifically the freedom of ownership, as well as complete freedom to develop, utilizes and disposes of this property. Accordingly, there is no problem for a Westerner to increase his wealth through interest, nor is it a problem for the Westerners to establish organizations based on interest due to economic freedom. As for Islam, there is no freedom to partake in such sickening concepts.

Dressing such words with Islamic garb does not make them Islamic. The essence of this reality is that it is corrupt, in addition to the transactions made within these banks, which are interest based transactions.

The reality is that the so called Islamic banks are contradictory to Islam with respect to several Shariah rulings. We now embark upon covering them with respect to the following aspects:

A. Method of establishment

B. Internal transactions

C. External transactions

D. Fatwas and statements of contemporary Ulema pertaining to the prohibition of such banks and dealing with them.

A. Method of establishment

As for the first aspect, the method of establishing Islamic banks is fundamentally based on the capitalist method of establishing the joint-stock company. These companies, as we know, violate the Shariah method of establishing the company in Islam, as the capitalist joint stock companies are about investment free of the body (badn). The shareholders in this company are not vetted and not known to other shareholders. As for the control of this company, it is by the founding board of directors of the company. There is no value for the shareholders in the decision making of this company, outside of the capital share in the name of the shareholder.

As for the capital of this company and the work it will undertake in future, they are open-ended and unspecified. They depend on the number of new shareholders and decisions of the founding board. Sometimes the company accepts the deposits of shareholders or depositors, whilst at other times it borrows from interest based banks. It also borrows from stock markets and from companies on the basis of compound interest. Thus, its capital is unregulated and unknown, such that its ambiguity (jahaalah) and doubt cannot be denied.

This is in terms of the method to establish such companies, called banks. As for their functions, they are divided into two sections. Firstly, the section in which the bank deals with its customers internally. Secondly, the section in which the bank deals with institutions and foreign financial bodies such as banks, stock exchanges and other companies externally.

B. Internal transactions

As for the internal transactions of these banks, they are many and the most prominent of them are buying and selling, loans, company partnerships, deposit for funds' operations, and all kinds of guarantees and insurances.

As for buying and selling through the bank or directly, they are invalid transactions, whether they are named as sales contracts of purchase order or Murabaha (Resale for Profit) contract or others, and whether Fatwas are issued to dress up with an Islamic garb or not.

Selling (baya') and buying (shiraa') contracts made through Islamic banking lack the pillars (arkaan) and conditions (shuroot) of a valid Islamic contracted sale, which is the offer of the buyer or seller, with reciprocal acceptance by the seller or buyer, permissibility of the subject of transaction, contracting (iniqaad) according to Shariah and fulfillment of the Shariah conditions (shuroot) in the contract.

Sales through Islamic banking do not have a valid offer and acceptance. It is because it is issued by a legally incorporated entity to make the contracts, instead of an actual contracting person (shakhseeyah) or his representative (wakeel) as Islam demands. This is also because it is devoid of the physical possession of goods, which may be a promise for sale. This is although the bank is the one who makes, writes and certifies the contracts and other contract writing processes. However, there is no valid contract as the bank does not possess the goods in origin. Consequently, offer and acceptance occur over the non-existent and unknown (majhool) commodities, which is a defect in the contractual conditions (shuroot).

The conception of the buying process through banks is that the buyer mentions his goods requirement to the bank, and then signs the buying contract, fixing the amount for the value of goods and all other legal procedures of the sale. This is done even though the goods are not possessed by the bank, since the bank buys the goods only after that, based on the request of buyer, followed by the completion of the contract processes. This actually makes offer and acceptance invalid (baatil) according to Shariah, because the sales contract between the buyer and the bank is made on description, and not by physical possession, in hand, of the goods.

With respect to the selling procedures and its appendages, they are also invalid (baatil). They are not permissible as the selling is mortgaged (rahan), such that the owner of the goods, the buyer, is unable to perform any transaction pertaining to the goods, until all the instalments are paid. This is a huge defect in the ownership process of the sold item. This is a condition within the selling process itself, thus making it devoid of the actual benefit of complete ownership and full right of disposal of the possessed commodity. This is invalid (baatil) according to Shariah.

There is another condition stipulated by the bank within the selling transaction. This is also invalid because it makes the single contract constituted of two or more contracts simultaneously, which is Haraam. The condition is to increase the amount, in case of inability to pay dues on time, or seize possession of the goods by the bank, due to the mortgage contract. All of this violates the Shariah regarding selling transactions.

It is not permitted to change the selling contract after its concluding contracting (in'iqaad). If it is contracted for one year, then it is only for a year. If it is contracted for a month, then it is only for a month. As for the saying, "These goods are for twenty dirhams for one year. If the duration of payments is extended, then it is an additional ten dirhams per month," this contract is invalid (baatil) and not permitted due to multiple contracts, within a single contract, as well as due to ambiguity (jahaalah) in the contract period and the value (qeemah) of the goods. Allah (swt) revealed regarding the rights of the one who is unable to pay the debt by saying, ﴿وَإِنْ كَانَ ذُو عُسْرَةٍ فَنَظِرَةٌ إِلَى مَيْسَرَةٍ وَأَنْ تَصَدَّقُوا خَيْرٌ لَكُمْ إِنْ كُنْتُمْ تَعْلَمُونَ﴾ **"And if the debtor is in hardship, then [let there be] postponement [of paying the debt] until [a time of] ease. But if you give [from your right as] charity, then it is better for you, if you only knew."** [TMQ Surah Al-Baqara: 280]. So, the amount is not increased, whether related to duration or not, after the contract is concluded.

Thus, the valid contract of Murabaha (Resale for Profit) is that an agreement is reached between the buyer and the selling trader, so that the buyer, the one ordering the buying (aamir bish shiraa'), informs the selling trader about the description of the goods that he wants to buy. The agreement is made between the buyer and the selling trader for buying the goods, with a certain profit agreed by both parties. It is only contracted after the selling trader has practical, full possession of the goods, in hand.

The Shariah stipulations do not exist in the so called Islamic banking within this contract. The Shariah stipulations are:

1. The presence of the buyer, the one ordering the buying (aamir bish shiraa'), and trader, the one ordering the selling (aamir bil baya').

2. The description of the goods (sil'ah) by the one ordering the buying.

3. A promise from the one ordering the buying for Murabaha (Resale for Profit) to the selling trader, over a certain amount of money. This matter is not within the binding contract and it is just a promise.

4. The ownership of the goods with complete possession by the trader, before concluding a contract between the trader and the buyer.

5. The contract between the buyer, the one who orders the buying, and the trader, the one who orders the selling, after the complete possession of goods by the trader, with their entity in his possession. This contract must completely fulfill the Shariah conditions, in terms of preventing ambiguity (jahaalah) of price and payment period, such that the period is not extended in the same contract.

6. It is a condition that the buyer fully owns the goods, after the conclusion of the sales contract. He can dispose of the goods as he is the owner of what he possesses. It is not allowed to mortgage the goods, and no additional conditions can be attached to the sales contract, other than the condition (shart) of the Shariah sales contract itself.

7. It is not permissible to increase the price if the period exceeds the contracted term, as it is considered a new agreement that invalidates the first agreement. Thus it is not permissible to say "These goods are ten dinars for six months and if it exceeds the time, then it is one dinar for each month." This invalidates the sales contract and is considered to be two contracts combined in a single contract, which is invalid according to all Jurists (fuqaha).

In the book "Shariah Standards" published by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) it is stated that, "Both the price of the goods in Murabaha (Resale for Profit), sold to the one ordering the buying, and the profit thereof must be specified and known to both parties upon signing of the sales contract. It is not permissible to be negligent in fixing the price or profit for unknown or identifiable variables in the future." It also states, "For a bank to buy the item, the subject of the contract, as real buying, it must have the Shariah stipulations, such that the item comes under ownership of the bank... The institution must not sell any item in Murabaha (Resale for Profit) transaction, before it owns such an item. Hence, it is not valid for the institution to conclude a Murabaha (Resale for Profit) contract with the customer before concluding the contract with the first seller for buying the item, the subject matter of the Murabaha (Resale for Profit), and before it acquires the actual or constructive possession of such items."

Imam Shafi mentions in his Kitab Al-Umm (3/33), regarding the initial buying and the resale,

وإذا رأى الرجل السلعة فقال: اشترِ هذه وأربحك فيها كذا، فاشتراها الرجل، فالشراء جائز، والذي قال: أربحك فيها بالخيار، إن شاء أحدث فيها بيعاً وإن شاء تركه، وهكذا إن قال: اشترِ لي متاعاً وأنا أربحك فيه، -فكل هذه سواء-، يجوز البيع الأول، ويكون هذا فيما أعطى من نفسه بالخيار، - وسواء هذا ما وصفتَ - إن كان قال: ابتعه وأشتريه منك بنقد أو دين، يجوز البيع الأول ويكونان بالخيار في البيع الآخر، فإن حدَّدَاه جاز، وإن تبايعا به على أن ألزما أنفسهما الأمر الأول- أي قبل التملك- فهذا مفسوخ من قبل شيئين: أحدهما: تبايعاه قبل أن يملكه البائع، والثاني: أنه على مخاطرة أنك إن اشتريته على كذا وأربحك فيها

"...when a man sees the goods, he says, 'Buy this and I will give a profit to you upon resale.' So the man bought it and buying is permissible. As for the one who said, 'I will give a profit to you upon resale by choice' if he wishes he can conclude the sale or if wishes he can leave it. If he said, 'Buy the goods for goods and I will give you profit upon resale,' all these are the same and the initial sale is allowed, over which he gave himself a choice, whether the choice is described or not. If he said, 'Buy it and I will buy it from you for money or on credit,' the initial sale is permissible and both parties have a choice over the resale. If the two parties

specify it then it is permissible. If the two parties trade on a condition committing themselves to the initial matter, i.e. before possession, then it is broken (mafsukh) for two reasons. Firstly: the two parties traded before the seller owns the asset. Secondly, it is upon a risk such that when you will buy it for such, I will give you profit on resale."

Also in the Fatwa of Sheikh Bin Baaz (rh), he stated, "...if a customer of the Islamic bank intends to buy an item whose cost is such and such, and he describes it to the bank, promising the bank to buy it as Murabaha (Resale for Profit) for a period of one year, with a profit of one hundred riyals, for example, and this occurs after the bank bought the item from its owner, without obliging the customer to fulfill his mentioned or written promise, then this scenario is permissible. This is also the opinion of Ibn Uthaymin (rh), as he considers any condition obliging a sale to be invalid..."

Amongst the conditions of Shariah are the acquisition of the goods or its identification, its scrutiny and defining it to end ambiguity (jahaalah), in terms of what is measured, counted and weighed. In the Kuwaiti Jurisprudence Encyclopedia (9/132), it is stated "According to Maliki, Shafi'i and Hanbali schools of thought, everything is collected according to its measure. If it is measurable or weighable or countable, or cultivable, it is collected by kilos or weight or amount."

These are some of the transactions pertaining to sales. As for what is related to loan transactions with the bank directly, or with the bank as an intermediary in the transaction, it comes under the subject of interest (riba). Falling within the matters of interest is the so called loan service fee charged by the bank or by the lending body. This term does not have Shariah origin and can be thousands of dinars, as an outcome of a certain percentage of the loan, such as 2% or 3% or more, according to the loan stipulations of the bank.

Another matter which the Islamic banks enact is the so called Debt Risk Guarantee. This is also a new term in Islamic FIqh that has no Shariah basis. This is because this debt can be bought by and transferred to a third party. As for guaranteeing the risk, this transaction is invalid (baatil) and not allowed according to Shariah. It falls within the subject of ambiguity (jahaalah) and introduces interest on the principal amount in a twisted manner.

C. External Transactions

As for the partnerships made by the Islamic bank with loaning entities or with other companies, they are also invalid and not permissible, since the bank requires most of the partnerships to be diminishing i.e. the bank withdraws, as a creditor, the paid due payments as a company partner, over a certain period of time. The company is thus termed a diminishing company as its capital diminishes through withdrawal. This matter is not permissible according to the Shariah, as the Shariah company is contracted with a known amount of money at the outset. If the wealth of the company increases, it is added to the principal capital of the company and is the profit within the liquidity of the company. As for withdrawing a part of the capital amount of the partnership by one of the partners, it negates the initial contract of the company. A new contract is required upon a new capital amount. It also negates the concept of profit and loss of the Shariah company. This is because if the company incurred losses, the losses are not incurred upon the owner of the capital, as he may already have withdrawn his entire capital from the profits of the company. It is only the owner of the effort who incurs losses, as he loses his effort.

Islamic banks make partnerships with many investment companies for known profits, at a fixed rate simultaneously. This contradicts the valid partnership of profit and loss because the bank is a partner with many joint stock companies, within and outside the borders of the state as affiliations. The bank deals within stock markets exchanges, without direct holdings, as well as the buying and selling of goods that are non-existent, virtual or nominal goods.

Also the bank makes various transactions in the field of insurance, whether it is life insurance and property insurance, amongst other types of prohibited insurance.

The reality is that the transactions of Islamic banks are multiple and varied, such that space does not allow citation of all the types of transactions. It is enough to cite these models of internal transactions.

As for the transactions of Islamic banks with other institutions, like banks and stock companies, one who observes such transactions can hardly see any significant difference between these transactions and the transactions made by other banks, the usurious banks. This is because Islamic banks place their money in state banks, undertaking many investments through such central banks. Fatwas have been given regarding interest based funds accruing to them through investment banks, asserting that such funds can be distributed to good causes, like charity, and that they should not be used by the bank directly or through its customers. The Islamic bank also conducts all types of buying and selling with stock exchanges, without being cautious and attentive, selling currency through stock exchanges by proxy brokers. The Islamic bank buys and sells virtual assets as we have mentioned before. It floods money into the stock exchanges for investment, whilst it is not known where the money is invested. It could be that the money is invested in buying wine, pork or weapons for enemy states like the Jewish entity or other prohibited transactions. The Islamic banks take known profits in this money in the same usurious manner.

D. Fatwas and statements of contemporary Ulema pertaining to the prohibition of such Banks and dealing with them.

It can be said that these banks are joint stock companies whose aims are profits, not saving the people from the affliction of usury and prohibited transactions. As for the Fatwas issued to dress up these profit based institutions and their transactions, they are the Fatwas that contradict the correct way of understanding the Shariah rulings about companies, their method of establishment and the nature of transactions of a company. They also contradict the understanding of the reality of sales and their conditions, insurances and their kinds and also in understanding the reality of transactions of the stock markets and investment companies, under various names. They also contradict the understanding of the subject of debt, guarantee of debts by other usurious institutions, under the excuse of necessity (Daroorah), or raising a simple need to the level of necessity (Daroorah), and others, under various names that have no Shariah considerations.

As for the Fiqh names which they coined to give Islamic dress whilst they are disassociated from Islam like Murabaha (Resale for Profit) sale, Murabaha (Resale for Profit) sale of the one who orders buying, diminishing partnership, debt guarantee and other names and terminologies, which all contradict Islam absolutely. These names have no place in the Islamic Fiqh in the manner that is mispresented by the Islamic banks. These are names to dress prohibited actions with Islamic garb, so that they are accepted amongst the devoted and pious people who are careful not to fall in Haraam.

And we now reach the penultimate point, which is the numerous Fatwas issued by contemporary scholars prohibiting these banks and their transactions. We mention some of the forms of such Fatwas:

Amongst those Fatwas is the Fatwa of the Fiqh Council of Karachi, the city of Pakistan, which says: “Banking (Islamic banking) in its present form is contradictory to Shariah and it is prohibited. This banking is not different from other banks and dealing with them is not permissible according to sharia”.

Sheikh Abdul Rahman Al-Adani stated, “The origin of creating banks devoid of usury and usurious loans is a good thing. However, the reality is that the Islamic banks present in the field did not fulfill what they promised the Muslims. Instead, they were dragged into corrupt and prohibited transactions. Most of the transactions of Islamic banks revolving around the so-called Murabaha (Resale for Profit) sale are in reality more dangerous than the apparently usurious banks. This is because a man deals with usurious banks whilst he knows for sure that he is disobedient to Allah (swt) and his Messenger (saw). As for those who deal with the

so-called Islamic banks, they wish to draw closer to Allah by dealing with these banks and they deal with usury, prohibited and corrupted transactions, while they think that they are acquiring good by such dealings... ”

Also Sheikh Albany (rh) stated, “There is no difference between these banks, that raise Islamic slogans, and usurious banks. There is no difference between the Islamic bank and the British bank or American bank absolutely, because the system is the same. Unfortunately, the bank that declared itself as an Islamic bank is more dangerous than other banks, whether it is in Britain or America. This is because such banks are concealing themselves under the veil of Islam. They are doing the actions of Jews, about whom we were warned about in terms of following their footsteps in the Book and Sunnah.”

In the Fatwa of Albany, he states, “It is obvious that it is not permissible for a Muslim to deal with a bank that deals with usury.” Then he mentions the evidence for the prohibition of usury, before saying, “As for what has come in the last question: is it permissible to deposit money in the Islamic bank without taking benefit?” The Sheikh answers by saying, “I ask forgiveness from Allah, I do not want to call it as benefit since it comes under what the Messenger of Allah (saw) indicated by saying, **«ليكونن في أمتي أقوام يشربون الخمر يسمونها بغير اسمها»** **“People amongst my Ummah will drink Khamr (intoxicant) by calling it with another name.”**This is the indication of making fraud in the rulings of Allah (swt) by re-naming the forbidden things.”

As for Sheikh Uthaymin, it was mentioned in the book ‘Majmuathul Fataawa wa Maqalathul Muthanawia’ compiled and arranged by Muhammad bin Saeed Al-Shuwayer, under the topic of ‘Book of trade,’ “Question: What is the ruling of loan and taking a car from the national bank through instalments, knowing that the bank does not possess the car and it only pays the price, buying it from the company and making easy instalments upon them, knowing that I desperately need installments? Do the rulings of usury apply to me?”

Sheikh Uthaymeen’s answer was, “Yes, it is haram. This installment is haram. It means that a person goes to a trader, be it bank or other than that, and says, ‘I need a car whose description is so and so.’ The trader replies, ‘go to the showroom and choose the car which you want.’ Then the person comes back saying: ‘I want such a car.’ So the trader goes to the showroom and says, ‘sell this car to me.’ The trader then buys the car for a cash of fifty thousand and sells it to the one who requested the car for instalments amounting to sixty thousand. This is Haraam and not permissible. It is clear trickery in usury because the bank that buys for him sells it to him, as if the bank has given a loan to him, whilst taking extra, and this is haram. The contract here is fictitious. Were it not for the request of the car, the bank would not have bought the car. Therefore, one must be warned of this, though some people gave Fatwa allowing this. The one who gives such a Fatwa does not reflect upon this. Had he reflected upon this, he would have found it as a clear deception. It is more evil than the deception of the Jews, to whom Allah (swt) forbade the fats, so they melted it into grease, sold it and used its money for food. So the Prophet (saw) prayed to Allah (swt) to curse them.”

In another question and answer of Ibn Uthaymeen that came in the same book, it states, “Question: A company buys furniture and construction materials for those who want it. So the customer goes to the company and specifies the furniture or construction material which he wants. He pays the down payment, like the instalments in the purchase of a car, and the rest of the deferred amount he pays through monthly installments, with an increase of 10% to the company. So, the company gives the customer a delivery order so that he goes to furniture store and receives the furniture. The deferred amount is paid to the company through installments. What is the Islamic ruling on this? Answer: The company must sell the furniture or any other assets only after the completion of buying them, which is after the acquisition of purchased things in its own possession, transferring the property of the seller to another place. It can only resold after that. As for paying a deposit to the company before that, it is not allowed. The company can only sell something after it has fully possessed it, transferring from the seller’s place to another place. May Allah grant success.”

In the Fatwa of Bin Baaz (rah), it is stated “What are the factors, in your opinion, that preserve the rights of both parties of trade in instalment, thereby preserving the rights, order and rightness of the society?” In the letter of reply from his eminence to the Editor in Chief of Aljazeera Newspaper, he responded to three questions. One of them is as follows: “Answer: Selling by deferral is permissible due to the generality of the saying of Allah (swt), ﴿يٰٓاَيُّهَا الَّذِيْنَ اٰمَنُوْٓا اِذَا تَدَايَنْتُمْ بِدَيْنٍ اِلٰٓى اَجَلٍ مُّسَمًّى فَاكْتُبُوْهُ﴾ **“O you who have believed, when you contract a debt for a specified term, write it down.”** [TMQ 2:282]. There is nothing wrong in increasing the price for the deferral. It has been affirmed from the Prophet (saw) indicating the permissibility of such an increase, when the Prophet (saw) ordered Abdullah bin Amr bin A’as (ra) to equip an army. So he bought one camel for two camels for deferral. What is necessitated by the Shariah in this transaction is that it should be known such that both parties of trade do not conclude prohibited contracts. Some of them sell what they do not possess. They then buy the goods after the sale and submit them to the buyer. Some of them buy and sell the goods, whilst they are still in the seller’s store, before acquiring the goods lawfully. Both of the matters are not permissible as it is affirmed from the Prophet (saw) who told Hakim bin Hisam, **«لَا تَبِعْ مَا لَيْسَ عِنْدَكَ» “Do not sell what you do not possess”** reported by Ahmed, Tirmidi and Ibn Majah. The Prophet (saw) said, **«لَا يَحِلُّ سَلَفٌ وَبَيْعٌ .... وَلَا بَيْعُ مَا لَيْسَ عِنْدَكَ» “It is not permissible to lend on the condition of sale. And do not sell what you do not possess”** (reported by Ahmed, Tirmidhi and Nasai). The Prophet (saw) said, **«مَنْ اشْتَرَى طَعَامًا فَلَا يَبِعْهُ حَتَّى يَسْتَوْفِيَهُ» “Whoever buys food must not sell it before it has been measured for him”** (Agreed upon). Ibn Umar (ra) said, **«كنا نشتري الطعام جزافاً، فيبعث إلينا رسول الله صلى الله عليه وسلم من ينهانا أن نبيعه حتى ننقله إلى رحالنا» “We used to buy food grain (from the caravans) in bulk, RasulAllah (saw) forbade us to re-sell the food grain until we had shifted it to some other place.”** (Muslim). The Prophet (saw) also affirmed that, «أنه **نَهَى أَنْ تُبَاعَ السِّلَعُ حَيْثُ تُبْتَاعُ حَتَّى يَحُوزَهَا التُّجَّارُ إِلَى رِحَالِهِمْ» “Prophet (saw) forbade commodities to be sold on in the place where they were bought, until the traders take them to their dwellings.”** (reported by Abu Dawud). From these ahadith and what has come in their meanings, it is clear to the seeker of truth that it is not permissible for a Muslim to sell the goods which he does not possess, and then he goes to buy them. Instead, what is obligatory is to delay the sale, until he has bought and possessed the goods. It is also clear regarding those who do this, selling the goods whilst they are in the seller’s store, before being transported to the possession of buyer, that it is not a permissible matter due to its contradiction with the Sunnah of RasulAllah (saw), in a manipulation of transactions due to the absence of abidance to the pure Shariah.”

The truth is that the conditions stipulated by the two Sheikhs, Bin Baz (rh) and Ibn Uthaymeen (rh), who are the most famous scholars of the Hijaz, are not fulfilled in the Islamic banks of today. Their transactions in buying and selling, according to their Fatwas, are impermissible and invalid.

Finally, we say regarding the existence of institutions or bodies to take care of the financial affairs of Muslims, they must adhere to the Shariah aspect of being trusted with this wealth in origin. As an agency for the investment of this wealth in a way permitted by the Shariah, that is beneficial for the owner of money and for the society in general, a group of people could create an institution that acts as an agent (wakeel) for the deposit of people’s money, investing it in permissible fields. Examples of those are companies established according to Shariah rulings, through giving advisory consultation, or by guarding these funds as deposits in these service institutions, or other forms of Shariah permitted investment. Thus, they do not deal with usurious banks, nor do they walk in the path of capitalist companies. Such companies do not commit Shariah prohibited acts in terms of buying, selling, loans and other transactions. These institutions charge a known fee from the owner of money, upon agreement between the two parties, in exchange for guidance and assistance in investing the money through Shariah methods. These institutions do not have any relations with the subject of profit and loss, unless some of its members or others entered as Mudaraba partners according to the descriptions of Shariah company partnership.

The important thing in this matter is that the method of establishing these bodies should be a Shariah permitted method, devoid of the methods of capitalist companies, and that they should also follow the Shariah methods for investing the money, whilst not being open to dealing with prohibited institutions, such as banks, stock exchanges and others.

The truth is that such matters normally exist under the complete Shariah system, under the shadow of a state that rules by Islam, subjecting all the financial transactions and institutions to the Shariah rulings. The Shariah system will not allow deception of the people, stealing their money and entrapping them in Haraam, knowingly or unknowingly, and then to mislead and deceive the people that what they are doing is valid and does not violate Islam!!

This pushes the Muslims to work for the establishment of a state that guides their lives and affairs according to what pleases Allah (swt) and His Messenger (saw). We ask Allah (swt) to honor the Islamic Ummah with the rule of Islam, under the Islamic state that will raise the banner of Islam, running all the affairs of Muslims according to the Deen of Islam. Ameen, O! The Lord of the worlds. All praise to Allah, the Lord of the worlds.