The second question of Fatwa no. 4008

Q 2: My father deals in what is today called "credit". For example, he takes two hundred extra for each one thousand. Whenever someone wants to borrow some money, he comes to my father, then my father goes to the market and buys material for the same sum which the man asked for. For example, when someone requests 6,000 Riyals, my father buys material for the same amount and leaves it with the seller. Then, the debtor goes with my father to the market in the company of a scribe and two witnesses to buy the material from my father. The debtor sells the material again to the owner of the store and receives the sum in cash and the material remains in the store. Thus, he buys from the seller and leaves the goods in his store then, the store owner buys them again, but from the debtor. My father takes this Ayah as evidence for this transaction: (When you contract a debt for a fixed period, write it down.) Is the meaning of the Ayah applicable now?

A: First, if your father sells a commodity on credit for a deferred price before he buys it from the market, it will not be permissible because of the saying of the Prophet (peace be upon him): (Do not sell what you do not possess.)

( Part No : 13, Page No: 252)

Second, selling something that equals 1,000 now for 1,200 on a fixed term is permissible because of the general meaning of saying of Allah (may He be Exalted): (O you who believe! When you contract a debt for a fixed period, write it down...) Third, your father must possess the commodity after purchasing it for it to be a valid contract. It is authentically reported that the Messenger of Allah (peace be upon him) said: (He who bought food grain should not sell it until he has measured it.) Related by Muslim. It is reported from some of the Companions regarding food that he who buys it should not sell it before possessing it fully. Other narrations were reported concerning things that are more general than food, as reported in the Hadith of Hakim ibn Hizam which is related by Ahmad. He (Hakim) said: (I said: O Messenger of Allah, I make some transactions, which of them is lawful for me and which is unlawful? The Prophet (peace be upon him) replied: If you buy something, do not sell it until you have it fully in your possession.) Al-Daraquatny and Abu Dawud related on the authority of Zayd ibn Thabit: (The Prophet (peace be upon him) prohibited to sell any commodity where it should be sold until merchants possess it in their stores and shops.) The seven compilers of Hadith except Al-Tirmidhy related on the authority of Ibn `Abbas that the Prophet (peace be upon him) said: (He who buys foodstuff should not sell it till he is satisfied with the measure with which he has bought it.) Ibn `Abbas said: I think that all things resemble food in this regard. Therefore, Hadiths confirm that it is not permissible to sell any purchased commodity except after the seller has possessed it fully. Fourth, if your father possesses the material, it will be permissible for him to sell it.

( Part No : 13, Page No: 253)
Fifth, he who buys from your father, should possess the commodity in order to be able to sell it in a valid sale. Sixth, there is no harm on the person who buys a commodity at a deferred price to sell it with an immediate price because he needs some money. This is according to the soundest view of the scholars. This is called Tawartruq transaction. However, he may not sell it to the person from whom he bought it at a lower price than what he paid.

May Allah grant us success! May peace and blessings be upon our Prophet Muhammad, his family and Companions!

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</table>

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