

110006 - Is It Allowed to Buy a House in Installments From The Bank?

the question

My father died and I have become responsible for my siblings. We were renting a house but the owner decided to throw them out on the street because he wanted his house. I decided to buy a house for them by installments from a bank that is not Islamic, as we do not have any Islamic banks in our country. Is this prohibited or considered to be Riba?

Summary of answer

If the bank buys the house then sells it to you in installments, there is nothing wrong with that, but if it does not buy it, rather it is giving you the money or paying it on your behalf, on the basis that it will get the money back plus an additional amount, then this is riba.

Detailed answer

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Ways of buying a house in installments through the bank?

[Buying an item via the bank](#) may be done in two ways:

1. The bank merely finances it and lends the customer the price of the item or pays it on his behalf, in return for getting back the money and something extra, such as if the price of the item is one thousand, then it takes back one thousand and two hundred [in installments](#) . This way is prohibited, because in fact it is a loan with interest, so it is Riba.

1. The bank buys the item in a real sense (possesses it), then sells it to the customer for a higher price to be paid later. There is nothing wrong with this, and it is what is called a Murabahah transaction.

It is not permissible for the bank to sign a contract of sale with the customer until it has bought the item, because it is proven that it is forbidden to sell what one does not possess.

However, (the bank) may take a promise from the customer to buy the item after it (the bank) takes possession of it, but this promise is not binding.

Based on this, if the bank [buys the house](#) then sells it to you by installment, there is nothing wrong with that, but if it does not buy it, rather it is giving you the money or paying it on your behalf, on the basis that it will get the money back plus an additional amount, then this is Riba, and the stern warning that is issued concerning Riba is no secret.

Is buying a house a valid reason for taking a Riba-based loan?

What you have mentioned about your siblings [needing a house is not regarded as a case of necessity](#) which makes Riba permissible (as an exception), because it is possible to ward off that harm by renting.

For more details, please see the following answers: [94823](#) , [85197](#) , [101080](#) , and [98118](#) .

And Allah knows best.