

169367 - Ruling on buying machines by instalments through the bank

the question

Here in Algeria there is a youth support network which is based on studying a project or venture that the applicant suggests; after the file is accepted, sponsorship for this project is granted and this sponsorship takes the form of a percentage of the price of the necessary equipment that is paid by the state, added to which there is a percentage given by the bank, and the rest is paid by the entrepreneur who came up with the project. This type of financing is called “triple financing”. The money for purchasing the equipment is deposited in a bank account in the name of the project, noting that the bank has a share of more than 80%. After the paperwork is completed, the bank gives the entrepreneur bank cheques to buy the equipment from the seller. It is worth noting that ownership of the equipment remains in the name of the bank until all dues have been paid to the bank by the entrepreneur within a certain time frame, i.e., by instalments, and with an extra amount that increases the price of the equipment.

My question is: is this type of procedure permissible?.

Detailed answer

If the bank gives the money to the entrepreneur to buy his equipment on the basis that he will pay the money back with something extra, then this is a riba-based loan which is haraam, whether the money is paid in the form of cash, cheques, vouchers or anything else. But if the bank buys part of the equipment for itself, then it resells it for a higher price paid in instalments, there is nothing wrong with that, and it may keep the ownership documents until the borrower has paid off all the instalments. The fuqaha’ stated that it is permissible for the item to be held in pledge for its price (until it is paid off). It stays in a statement of the Islamic Fiqh Council: The seller has no right to

retain ownership of the sold item after it is sold, but it is permissible for the seller to stipulate that the sold item be regarded as collateral in order to guarantee his rights to have the instalments paid off in full.

See the answer to questions

no. [69877](#),

[140603](#),

[143004](#)

Based on that, what you have to do is look at the contract between the customer and the bank, to find out the role of the bank, so that it will be possible to issue a specific ruling on this issue.

And Allah knows best.