

396695 - Ruling on title insurance to protect the buyer's rights

the question

Title insurance protects you from problems with an ownership title when you buy real estate. ... These may be problems that existed before the purchase, such as:

(1) unpaid property taxes

(2) fraud or forgery of previous paperwork

or (3) a spouse or unknown heir who claims they own the property.

Detailed answer

Firstly:

Insurance is of two types:

Commercial insurance, where the aim of the one who buys insurance is to get money, and the aim of the insurance company is to make a profit. This is what is usually the case with insurance as it exists at present.

This type of insurance is haram, because it is based on ambiguity, riba (interest or usury) and gambling.

The second type of insurance is cooperative insurance, which is based on donations and cooperation between the participants, and it is not aimed at making a profit. This type of insurance is permissible.

For more information, please see the answer to question no. [8889](#) .

We have not come across the type of title insurance mentioned or what it involves, so that we could give a ruling concerning it.

However, in general terms we may say that if the title insurance referred to in the question is a type of commercial insurance, then it is not permissible to participate in it, unless the system forces people to do that, in which case there is no blame on the Muslim if he participates in it, because he is compelled to do so, and the sin will be borne by those who compelled him to do that.

Secondly:

The fact that haram insurance may serve some interests and offer some benefits to those who participate in it does not mean that it becomes halal, because the things that are prohibited are usually not without some benefits, but the corruption and harms that result from them are much greater.

With regard to alcohol itself, which is the mother of all evils and is prohibited in the systems of law of all the prophets, Allah, may He be exalted, says (interpretation of the meaning):

{They ask you about wine and gambling. Say, "In them is great sin and [yet, some] benefit for people. But their sin is greater than their benefit} [al-Baqarah 2:219].

Thus Allah, may He be exalted, affirms that they have some benefits, but He, may He be glorified and exalted, prohibited them because the harm they cause is much greater than any benefits they may bring.

It is possible to avoid the problems referred to in the question – namely unpaid taxes, fraud and so on – by checking before buying, and taking the necessary precautions.

And Allah knows best.