

96918 - Buying a car from an agent who deals with banks

the question

I want to buy a car in instalments from an approved agent, which is “Renault”. Renault announced a month ago that it sells its cars in instalments with a condition of paying 20% to 30% as an initial instalment, and the rest to be paid in instalments in five years. This happens after the company receives many documents such as the buyer’s proof of salary and his birth certificate, etc. after this the company gives these documents to its approved financial agent which is “Renault car loans”.

After the documents have been approved by the bank. The bank accepts to pay the value of the car to the agent. Then the agent sells the car to the client for 9.4% higher price than if the buyer will buy it cash for example. So if the car ‘s’ will be sold cash for 1.000.000, the same car will be sold for 1.094.000 in instalments.

Bear in mind that I pay the agent monthly directly into its account, not into its bank’s account. So the client does not at all deal with the bank. The client deals only with the agent. What is the ruling on such a transaction?.

Detailed answer

Firstly:

It is permissible to purchase by instalments, even if it is for a price that is higher than buying with cash. Please see the answer to question no.

[13973](#).

For it to be permissible to purchase by instalments, it is essential that there be no stipulation of a penalty in the event of delayed payment, because stipulating this penalty is

riba, which is haraam, and it is not permissible for anyone to subscribe to such a contract, even if he is certain that he will be able to pay it off, because it is approval of a riba-based contract and committing oneself to it, and that is haraam. The Islamic Fiqh Council has issued a statement that penalties for late payment imposed by banks when a customer is late in making a payment are haraam.

It says in a statement of the Fiqh Council no. 133(7/14), issued during its fourteenth session in Doha: If the purchaser delays payment after the set time, it is not permissible to make him pay anything in addition to the loan by prior stipulation, or otherwise, because that is riba which is haraam. End quote.

The seller may ask for a guarantor, or he may take something as collateral to secure his rights, and it is permissible to make the item being purchased the collateral in question, so that the buyer will not be able to sell it before he has paid off what he owes.

Secondly:

If the transaction is done in the manner that you describe, and you pay something up front and the rest is to be paid in instalments, and you deal with the appointed agent and not with his bank, then there is nothing wrong with it. But if you know that this agent will give the money and post-dated cheques to the bank, and will take less than they are worth, then this is a haraam riba-based transaction, between him and the bank, but you are not a party to it. But it is better for you not to deal with this agent who deals with riba.

And Allaah knows best.