



Renting Ending in Ownership and Leasing Bonds

📅 28 September, 2000 | Fiqh of Financial Transactions, Lease Ending with Ownership

In the Name of Allāh,

the Entirely Merciful, the Especially Merciful

Praise is due to Allāh, Lord of the worlds, may the blessings and peace be upon our master Muḥammad, the last of prophets, on his family, and all his companions.

Resolution No. 110 (4/12)

Renting Ending in Ownership and Leasing Bonds

The Council of the International Islamic Fiqh Academy of the Organization of the Islamic Conference, holding its 12th session in Riyadh, Kingdom of Saudi Arabia, on 25 Jumādā al-Ākhirah - 1 Rajab 1421h (23-28 September 2000),

Having examined the research papers submitted to the Academy concerning

Renting Ending in Ownership and Leasing Bonds,

Having listened to the discussions of the Academy's members and experts and other scholars,

Resolves

1. Renting Ending in Ownership

First: The criteria for the permissible and prohibited forms are as follows:

1. Prohibition Criteria:

When the transaction involves conclusion of two different contracts at the same time, for the same commodity and for the same duration.

1. Permissibility Criteria:

1. The presence of two completely separate and independent contracts as to the time of their conclusion, and in which the sale contract succeeds the lease contract or the presence of a promise allowing the lessee to become the owner at the end of the contractual The option and the promise are on an equal footing with regard to their Shariah rulings.
2. The existence of a genuine desire from both parties to conclude the lease contract and not just to use it as a mere veil for the sale contract.
3. The leased property should be guaranteed by the owner and not the lessee. In this sense, the owner should bear any damage that is not caused by the lessee's misuse or The lessee has nothing to bear, even if such damage has

rendered the property completely useless.

4. If the contract includes property insurance, the cooperative insurance should be non-commercial, Shariah-compliant, and the sole liability of the
5. During the entire lease period, the contract should be subjected to Shariah rulings regarding Ijara, whereas Shariah rulings on ownership should be observed when the property ownership is transferred to the lessee.
6. The cost of maintenance, excluding operational expenses, should be borne by the lessor and not by the lessee during the entire lease period.

Second: Some Prohibited Forms

1. A Renting Ending in Ownership contract that leads to the transfer of ownership to the lessee against the amounts of rent he pays during the contract period, without signing a separate sale. In other words, it is when the same lease contract automatically changes into a sale contract.
2. A Lease contract according to which the property is given to the lessee against a specific amount of rent and for a specific duration, coupled with a sale contract that becomes effective only when the lessee pays the whole amount of rent agreed upon, or at a specified date in the future.
3. An appropriate lease contract including an option for the owner to sell the property to the lessee, at the end of the leasing period.

The above-mentioned legal opinions have been adopted in the resolutions and fatwās of various Islamic authorities, including the Council of Senior Scholars of Saudi Arabia.

Third: Some Permissible Forms

1. A lease contract that allows the lessee to make use of the leased property against a specific amount of rent and for a specific period, along with a separate contract offering the property as a gift to the The latter contract takes effect at the end of the lease period and when the lessee has paid all the amounts of rent agreed upon. A promise from the owner to give the property as a gift to the lessee, after the lease period and full payment of due rent, is also acceptable, as per the Academy resolution no. 13 (1/3) on *Hibah* (gifts) at its third session.

1. A lease contract offering the option to the lessee to purchase the property, after the lease period and the full payment of due rent, at the then-prevailing market price, as per the Academy resolution 44 (6/5) at its fourth session.
2. A lease contract that allows the lessee to use the leased property against a specific rent amount and for a specific period coupled with a promise from the owner to sell the property to the lessee, after the full payment of due rent, at a price to be mutually agreed
3. A lease contract that allows the lessee to make use of the leased property for a specific amount of rent and a specific period, while the owner gives the option to the lessee to own the property at any time if he so The sale, in this case, is to be made according to a new contract in due time and at the then-prevailing market price, as per Academy resolution no. 44 (6/5), or at any other price to be agreed upon at the time of concluding the sale contract.

Fourth: There are some other forms of Renting Ending in Ownership that still remain controversial among Fuqahā (fiqh scholars). These forms require a thorough study to be presented to the Academy in one of its forthcoming sessions.

2. Leasing Bonds

The Academy resolved to postpone adopting a resolution on the subject, pending further research and study to be presented in one of its forthcoming sessions.

Indeed, Allāh is the Giver of success.

