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Fatwa no. 16823

**Q: I am a businessman and I live in the Kingdom of Saudi Arabia. I import pure 24 Carat Gold from abroad and sell it to gold dealers and gold factories. One of these merchants asked me to lend him about 200 kilos of gold over varying periods. He was to take the quantity he needed weekly, for example 30 kilos per week. Upon receiving the gold, he must transfer the equal value to my account in cash (Riyals) and indeed the equal value goes to my account and later on, I deliver him the gold. Thus, he continues taking and paying the value of which he takes in Riyals. I benefit from these Riyals and he also benefits from the gold. Since it is known that the price of gold is variable, the agreement is to lend him the gold he needs provided that he pays the difference of prices in case the price goes up. Supposing that he takes 200 kilos and the current price for one kilo is 40000 and the next day the price goes up to 42000, he must transfer the difference which is 2000 to us for each kilo of gold he takes. However, if the price goes down the next day to 38000 for a kilo, he may ask for more gold to complete the value which he paid or that we pay him the difference in Riyals**

provided that he transfers the equal value in Riyals as long as the gold is in his possession.

In this way, the dealer waits for the gold price to drop below 40000 for a kilo and in this moment, he pays the loan in one of two ways: 1- Purchasing from the local market the amount of gold which he borrowed and pay it as a single payment, then I pay the full value which he has transferred to me. By doing this, I have got the equal value of my gold which he borrowed. 2- Buying the full amount of gold which he has borrowed minus the value of Riyals which were transferred to me. Afterwards, I deliver the difference of price which I still have which will be a profit for him. In this case, the dealer has made a profit through this loan.

If the global markets change prices up to 50000 or more than 60000 or whatever price it may reach, the dealer who borrowed the gold will pay it to me. He may be obliged to buy it from me or from others for 50,000 Riyals per kilo

which will be a great loss for him.

According to my limited knowledge, it is permissible for me to lend someone a kilo or more of gold provided that he will return it in gold, but this has been done in the manner that I explained to Your Honor.

Would you kindly advise me? Is it permissible for me to do business with this Muslim dealer in the way I explained? Could you answer in detail according to the transactions which I have mentioned? Could you guide us to the legal way which should be used in dealing with our Muslim merchants? May Allah guide Your Honor in his answer! May Allah's Peace, Mercy, and Blessings be upon you.

**A:** If the situation is as you have mentioned, this act is not permissible because this is a kind of exchanging gold for dirhams. A condition of the transaction is that possession occurs at the time of exchange and this is not the case according to what is mentioned.

May Allah grant us success! May peace and blessings be upon our Prophet Muhammad, his family and Companions!

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