

In the Name of Allah, Most Merciful, Most Beneficent

**Resolution (3)
First Session**

4/11/1428H – 14/11/2007

(Enclosure 2 in the Minutes of the Meeting 14/1)

**Subject: Approval of the Form of “Vehicle Lease Contract”
And of “Contract of Title Transfer of a Leased Vehicle Conditional
Upon Re-payment of Lease Installment”**

Praise be to Allah alone, and peace and blessings be upon our Prophet Muhammed, as well as his Household and Companions.

The Shari'ah Board of Abdul Latif Jameel Company Ltd. held its 14th Meeting, 1st Session, on Wednesday 14/11/1428H – 14/11/2007G in the city of Jeddah at the Head Office of the Company.

Having seen the request made by United Instalment Sale Company to consider the form of the “Vehicle Lease Contract” and the form of the “Contract of Title Transfer of a Leased Vehicle Conditional upon Re-payment of Lease Instalments”, which includes transfer of the title of the leased vehicle in the name of the lessee upon the lessee's re-payment of all the lease instalments due, as well as an additional specific amount. The Shari'ah Board of ALJ Company:

Having considered this subject in a number of its previous meetings;

Having seen the Resolution of the OIC Fiqh Academy No. 13 (1/3), made in its meeting held during the period 8-13/2/1407H in order to respond to the questions posed by the Islamic Development Bank, including “paragraph ‘b’ regarding leasing operations...Four: The Promise to Transfer Title of the Leased Equipment to the Lessee Free of Charge at the End of the Lease Term is Permissible if Done in a Separate Contract”;

Having seen the Resolution of the OIC Fiqh Academy No. 110 in its meeting (4/12), held during the period 25/6/1421H – 1/7/1421H, regarding the issue of Leasing Culminating in Title Transfer of the Lease Subject Matter, which included: “Permissibility Controlling Factor”: 1. The existence of two contracts separated by a time interval, where the sale contract is concluded after the lease contract has been concluded, or existence of a promise to transfer title of the subject matter of the lease contract to the lessee, and the option in this case is considered equivalent to a promise in *Ahkham* (Shari’ah Ruling); 2. that the lease contract is a *real* lease contract, not as a pretext to hide sale” (End of Quotation), and which also included: “Third, Among the Valid Forms of Contract”: a. A lease contract that enables the lessee to derive usufruct from the lease subject matter in return for a known rental and a known period of time, which contract is linked to a contract transferring title, free of charge, of the subject matter of lease to the lessee; this second contract of gift is conditional up the lessee completing re-payment of all the rent instalments due in a separate contract, or a promise to give as a gift upon re-payment of all the rent instalments, according to the Resolution of the OIC Fiqh Academy on *Hiba* (Gift);

Having seen the “Leasing and Hire-Purchase Standard issued by “The Accounting and Auditing Standards Organization for Islamic Financial Institutions”, which includes: “8/1: A hire-purchase contract should specify the way of transferring title of the lease subject matter to the lessee by a deed separate from the lease contract, and which should take any of the following forms:.....(c) a gift contract conditional upon re-payment of the lease instalments, and which also includes: “4/8: In case the lease contract is linked to a gift contract (*hibah contract*) conditional upon re-payment of all lease instalments, which gift contract is made in a separate deed, then ownership of the leased property is transferred to the lessee, if the condition has been fulfilled, without the need for any further contracting formality. However, should the lessee default in re-payment of even one lease instalment, no transfer of title is made as a result of this default on the part of the lessee”;

Having seen the opinions of Shari’ah scholars on a conditional gift;

Having given a deep thought to the Shari’ah ruling on imposing on the lessee, as a contractual obligation, to guarantee the results of his action other than that of total or partial loss for which the lessee is not responsible, taking

into consideration the Shari'ah ruling that originally all conditions imposed in a contract are valid, and the fact that the lessee takes the leased property away from the sight and control of its owner;

After seeing the research prepared by Dr. Nazih Hammad entitled "The Extent of the Validity of Imposing a Guarantee on Property in the Hands of a Person, Whose Hand on such Property is a Hand of Trust", and the views of Shari'ah scholars on this issue, including what has been expressed by such scholars in the following sources:

*Text quoted from *al-Mughni* of Ibn Qudama "On the authority of Imam Ahmed, who was asked about the condition of imposing a guarantee in respect of something (i.e. a piece of property) which should not be subject to a guarantee, and about whether such imposition of guarantee renders the thing guaranteed or not, where the Imam said: Muslims (should) abide by their conditions". The researcher commented by saying: "This opinion of Imam Ahmed."