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Fatwa no. 16609

Q: We have a large agricultural company that supplies agricultural material such as fertilizers, seeds and farm machinery. We sell these commodities on credit to the farmers. The price of the commodities is due 120 days after the date of delivery. Recently, our clients; companies and farmers, failed to pay our company's financial dues for various reasons. Sometimes, clients delay their payments for double the due time, which causes the company to incur many losses. Moreover, in this way the company is forced to delay the payments for those who export the commodities, and they in turn instantly fine the company if any delay in payments occurs. To avoid any such losses which affect the company's financial situation and potential for development, the company is considering the implementation of a credit sale and would like to know about its legal ruling in light of the following:

First, the company will specify a timescale for prices. For example, after 3 months, the price of a specific commodity is 100 Riyals, after 4 months 110 Riyals and after 5 months 120 Riyals. This will be specified to clients in the credit sale contract and the due price will be specified according to the time of payment.

Second, to avoid problems related to a delay in payment, is it permissible for the company to specify a certain price for a credit sale of the commodity for example, 100 Riyals

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to be paid after 12 months, provided that the company mentions in the contract that if the client pays during the first 6 months after receiving the commodities, he will have a discount or the price will be lowered to 90 Riyals?

A: There is no harm in selling a commodity by credit sale at a higher price than the cash price; however, the price must be specified in the beginning and the time span should also be specified when concluding the contract. If the company specifies different schemes for payment in a single transaction, and none of these payment schemes is chosen when concluding the contract, the transaction is invalid because the time span is not specified in the contract. Moreover, it is similar to Riba (usury) of the Pre-Islamic period because people at this time used to increase the rate of interest if the purchaser failed to pay the first payment.

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

Member	Member	Member	The Chairman
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