

The Rules of Securities (Rahn)

Issue 782: A security (Rahn) is that the debtor agrees with the lender to place something of his property with the lender so that if the borrower does not pay the debt at the established time, the lender can take his right from this property (which is also called a voucher).

Issue 783: It is permissible to execute a contract of security by a verbal Seeghah, like the borrower saying: I am depositing this thing with you in place of the debt upon me. And the lender says: I agree. Or this matter is established by action in that the borrower places his property with the lender with the intention of a security, and the lender takes possession of it with this intention.

Issue 784: It is conditional for the one taking the security (Raahin) and the one giving the security (Murtahin) that they both be mature (Baaligh), sane ('Aaqil), not compelled, nor dimwitted nor restricted in that they are prevented from disbursing their properties by the Religious Authority (Al-Haakim Ash-Shar').

Issue 785: It is only permissible to give as a security the thing whose disbursement is permitted legally. Then, it is not permissible to give the property of another as a security except with the permission of its owner. When the owner of the thing says to the lender: I'm giving this thing as a security for the debt of so and so, and the lender accepts that, it is proper.

Issue 786: It is obligatory that the security (the thing given to the lender from the borrower) be something capable of being sold or purchased legally. Therefore, it is not proper to put wine or instruments of gambling and similar things as a security.

Issue 787: The benefit of the security and its increase, like the milk of an animal given as a security and fruit from the tree given as a security, it is returned to the owner of the security.

Issue 788: The obligatory precaution is that the security agreement is not realized without the surrender of the security to the lender. However, when the surrender is accomplished by giving the official deed of a house to the lender and it is surrendered to him whereas he is able to fulfill his right at the time of the borrower's failure to repay his debt by selling the house. There is no objection in it. Nothing prevents that

the owner of the house can remain as a resident in the house after realizing the (transfer) of the security.

Issue 789: The usage which is incompatible with a security is not allowed. According to this, it is not allowed for the lender nor the borrower to give away something given as a security to anyone or to sell it without the permission of the other side. However, when one of them has given that particular thing away or has sold it and, then, afterward the other side gave permission, there is no objection in it. The precaution is that neither one of them utilize the thing given as a security without requesting the permission of the other side and even when there is no pressure on the security.

Issue 790: When the lender sells the security by seeking the permission of the borrower and (the borrower) gives permission, the security (agreement) is invalidated. Its price (received in the sale) is not a security except that the permission for the sale is conditional that the price (received) be a security also.

Issue 791: When it is impossible for the borrower to repay his debt in the established time forcing the lender to seek it, it is permissible for the lender to sell something given as a security and pay his debt from its price and return the rest to the borrower. If it is possible (to have a religious Judge), then, the recommended precaution is that (the lender) seek his permission for this action.

Issue 792: When the borrower does not repay his debt and he does not have property except the house in which he resides and the necessities which he requires in his day to day life, like carpets and things similar to that, it is not allowed for the lender to seek his debt, rather, it is obligatory for him to grant a delay (in its payment) and give a deferment. However, when the thing which was given as a security it was the house and the necessities of the house, it is permitted for the lender to sell it and recover his debt from its price (of sale).

Issue 793: A custom is practiced among people that a person gives another person owning a house an amount of property under the title of a loan. The owner of the house gives his house for the use of the owner of the sum (given to the house's owner) as security with the condition that he pay back a smaller sum, like an uncommon (type of) renting or he does not pay back any sum. This house is called a security and this transaction is interest related and forbidden.

The proper method is that one can rent his house for a very small amount, puts a condition for the renter that he shall lend him a certain amount of money and he puts the house itself as a security in exchange for that amount. In this situation the transaction is interest free and proper.

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