

Ijara (Lease Financing)

STATUTORY MANDATE & CORE PROTECTION RULE

Ijara contracts must be in writing and clearly state the terms, conditions, and responsibilities of both parties. Ownership of the leased asset remains with the lessor throughout the term of the contract.

What is Ijara?:

Ijara is providing products or services on a lease or rental basis. An Ijara contract involves the lease of items or goods for a period of time until the person is able to pay off the full value and then becomes the official owner of the good (depending on the type of lease).

How Ijara Works:

This contract allows the borrower time to pay the debt in small installments for the period stated in the contract. If the person paying the lease cannot make a payment on time, no compounding interest is charged.

Ijara Muntahia Bittamleek (Lease-to-Own)

At the conclusion of the agreed lease schedule, ownership of the asset is formally transferred to the customer either through a gift deed or a nominal purchase agreement.