

Lease Ending with Ownership Transfer

Firstly: Leasing.

Definition of Leasing (Ijarah): A contract for the transfer of a known benefit or usability of an asset for a specified period in exchange for a agreed payment.

Legal Concept: A mutual financial agreement where the legal owner (lessor) grants the user (lessee) the right to use an asset—such as real estate, vehicles, or equipment—for a specific period in exchange for rental payments.

Legal Evidence: Leasing is mentioned in the Hadith: The Prophet (ﷺ) said, "Allah, the Exalted, says: **'I will be on the Day of Resurrection against three (types of) people:** One who makes a covenant in My Name and then breaks it; one who sells a free man as a slave and devours his price; **and one who hires a workman and having taken full work from him, does not pay him his wages.'**" (Sahih Al-Bukhari)

Mutual Rights and Obligations In a Lease Contract

Owner (Lessor)	Tenant (Lessee)
1. Delivery of Asset: Provide the leased asset in usable condition for the tenant.	1. Payment: Pay the agreed rental fee according to the established schedule.
2. Liability for Defect: Bear ownership risks and structural repairs required to keep the asset usable.	2. Maintenance: Maintain the asset properly.
3. Asset Reclaim: Reclaim possession of the property upon normal contract expiration.	3. Return of Asset: Surrender the asset at the end of the term.

Secondly: Lease Ending with Ownership Transfer

The bank leases an asset (e.g., a car, a house..) to a client for a specified period for a rent amount that often exceeds standard market rent. The contract includes a promise from the bank to transfer ownership of the asset to the client at the end of the term once all rental installments are fully paid, using a separate agreement.

Comparison between Installment Sale and Sale deeds based on Leasing

	Installment Sale	Lease Ending with Ownership
Differences	Single Contract: Immediate transfer of ownership with deferred payments.	Two Independent contracts: A lease contract + alongside a separate promise/contract for ownership.
Similarity	1.The end goal: Acquiring asset ownership. 2.Way of payment: through structured payments over time.	

Comparison between Lease Ending with Ownership and Standard Lease

	Lease Ending with Ownership	Standard Lease
Primary Goal	Eventual <u>ownership</u> upon full payment.	<u>Lease</u> only: Temporary use and benefit of the asset without ownership.
Legal Outcome	Client is a tenant initially, becoming full owner via a second contract after fulfilling the installments.	Client remains a tenant throughout the entire agreement term.
Number of Contracts	Two contracts (Initial Lease + Final Transfer Instrument).	One contract. (Lease contract)

- **Legal Ruling:**

Lease Ending with Ownership is not allowed because of the following reasons:

- There is a contradiction in the name and in the reality of this contract, as follows:

1. The paid fee in this contract is more than the actual market fee, because the intention was initially to sell the property, and so the payments include the equity buildup, while still labeling the entire amount as "rent," and this causes unfair loss to the client if the contract cancels early or if he is unable to pay the rest of the installments, because he won't get back what he already paid (the inflated price) and he will also lose the asset.

2. **The inability to determine the reality of the contract:** whether it is a sale or lease contract, so appropriate rulings can be applied, since each contract has its own terms, i.e.: By law, structural repairs and ownership risk belong to the asset owner. Forcing the tenant to assume all risk and major maintenance turns the lease into an invalid hybrid arrangement.

3. **Uncertainty and Unfair Loss:** If a client defaults mid-term, keeping all prior payments purely as rent results in unfair financial exploitation, because the client paid inflated rates intended for purchasing the property without receiving ownership.

Sale deeds based on Leasing can be permissible if the following conditions are met:

1- The lease period should be specified, besides the lease conditions should be applicable during this period.

2- Deciding the amount of every installment without any increasing in case of delaying the payment

3- Transfer of the ownership of the property to the tenant at the end of the period, by gift or selling the property with nominal price, according to the previous relevant promise between the owner and the tenant.

4- Not pay down payment at the beginning of the contract so the tenant will not lose it in case of the not being able to complete the payment