

Rahn (Mortgage)

Issue No. 1- Rahn means that the debtor effects a conveyance of property to the creditor as security for money debt, or property held under responsibility, with a proviso that if his debt is not paid in due time, the creditor may pay himself out of the proceeds of that property.

Issue No. 2- The mortgage agreement can be pronounced verbally, for example, if the debtor says, "I leave this property as mortgage with you against that debt" and the creditor also says, "I accept it", or they can do it practically, i.e. the debtor conveys his property to the creditor with the intention of providing security for the debt, and the creditor accepts it with the same intention, the mortgage is in order.

Issue No. 3- The mortgagor and the mortgagee should be Baligh and sane, and should not have been coerced by anyone. Moreover, they should not be feeble-minded, or they should not have been prohibited from possessing their properties by the Mujtahid because of bankruptcy.

Issue No. 4- One can mortgage a property over which, religiously speaking, has a right of disposal or discretion, and if he mortgages the property of another person, it will not be in order, unless with the permission of the owner. And if the owner of the property says to the creditor, "I mortgage this property against the debts of that person", and if the creditor accepts it, the mortgage will be in order.

Issue No. 5- The property mortgaged must be such in which trading is permissible by Shari'a. Hence, if alcoholic liquor and gambling equipment, or things like it is mortgaged, the transaction will be void.

Issue No. 6- The benefit which accrues from the mortgaged property, like milk of an animal or fruits of trees, belongs to the owner of that property.

Issue No. 7- It is not permissible to bring about changes which are in conflict with the mortgage agreement. Hence, neither the creditor nor the debtor can transfer a property which is mortgaged to another person without the consent of the other party, for example, present or sell it to someone else.

Issue No. 8- If the debtor fails to repay his debts at the request of the creditor when it is due, the creditor can sell the mortgaged property with observance and consideration of the owner's benefit, and collect his dues and should give the amount in excess of his debt to the debtor.

But if that property is the house that the debtor occupies and lives in, or the essential household furniture, the creditor cannot sell it.
