

A Crime Scene

Q: In the Majlis (Vol 18 No 12), it is stated that a "franchise agreement is Haraam", franchise fee is riba", "it is Haraam to purchase stock from the stipulated supplier", and "it is permitted by the Shari'ah to falsify turnover figures".

A: The franchise system has been in existence for many years and is not confined only to food outlets. It covers various sectors such as petrol outlets, weight loss clubs, gymnasiums, property sales, retail outlets, cellular stores, cleaning services and food outlets to name a few.

Emerging Muslim entrepreneurs face many decisions on the type of business, the business plan, finances available, to purchase an existing business, establish and develop a new brand from scratch or buy a franchise.

In the case of a franchise, the appeal is buying into a successful model to gain the benefit of their brand name, expertise, technical knowledge, marketing network, use of their merchandising marks, promotional material, sources of supply etc for a price. The franchisor parts with his "proven formula of success" for a fee to effect a conditional partnership. These are spelt out in contracts which includes stipulations on the premises, supplies, royalties, promotion charges, etc. based on an agreed percentage of the turnover generated.

Islam has accorded a very high status to the merchant because of his leadership role in society in wealth and job creation, empowerment and Da'wah. An example of this is the world's most populous Muslim nation of Indonesia (approx 220 Million Muslims) which came under the sway of Islam through the influence of traders.

The Noble Quran states,

"O you who believe! Be conscious of Allah and be among the truthful...(al-Tawbah 119)

The Prophet Muhammad's (Peace be upon him) life was one of meticulous honesty and scrupulous dealings on both a personal and business level to the extent that even his enemies would trust him. Hence he was known as, "the Trustworthy" and "the Truthful one".

He also stated,

"One who deceives is not of us." (Muslim)

With these lofty ideals to live up to, any advice to a Muslim to commit fraud by falsifying information and failure to honour an agreement is a grave sin, illegal, unpatriotic and a crime against Islam. We detest and reject any such evil counsel which seeks to incite people to sin and shame.

Any Muslim aware of such a crime is honour bound for the sake of Islam to remedy such malpractice.