

ISLAMIC BANKING & FINANCE

PRINCIPLES, INSTRUMENTS & OPERATIONS

*Adnan Trakic &
Hanifah Haydar Ali Tajuddin*



Islamic banking & finance : principles, instruments & operations /
general editors: Adnan Trakic & Hanifah Haydar Ali Tajuddin
Includes index
ISBN 978-967-0379-01-2
1. Banks and banking--Religious aspects--Islam.
2. Finance--Religious aspects--Islam. I. Adnan Trakic.
II. Hanifah Haydar Ali Tajuddin.
332.1088297

Published by

The Malaysian Current Law Journal Sdn Bhd

E1-2, Jalan Selaman 1/2,
Dataran Palma, 68000 Ampang,
Selangor Darul Ehsan, Malaysia
[Co No 51143 M]

Tel: 603-42705400 Fax: 603-42705401

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Edited by Baizura Abd Razak

ISBN 978-967-0379-01-2

Printed by

Printmate Sdn Bhd
No. 14 & 16, Jalan Industri P.B.P. 7,
Taman Industri Pusat Bandar Puchong,
47100 Puchong, Selangor Darul Ehsan.

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CHAPTER *IBRA'* AND ITS PRACTICE BY THE 26 ISLAMIC BANKS: WITH REFERENCE TO MALAYSIA*

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26.1 Introduction

The *ibra'* (rebate) is a term used in the Islamic banking and finance literature which denotes granting of the rebate by Islamic banks at their discretion, to the client in cases of prepayment by the customer or in some situations in premature termination of contract. *Ibra'* for the purpose of this chapter will be approached and discussed from two angles. The first approach taken is in relation to the conceptual meaning of the term in its original sense, in the spirit of Islam. The basic and conceptual meaning of the word *ibra'* will be analysed and explained in the light of sources of *Shari'ah*. Therefore, before embarking on further practical discussion of the term, a specific reference will be given to its understanding through basic sources of *Shari'ah*. The second angle from which the term *ibra'* will be approached, is the practical framework within which it is practiced nowadays by the Islamic banks. This chapter will be limited to the practice of *ibra'* by the Malaysian Islamic banks only. The practical aspect of *ibra'* deployed by the Islamic banks will be discussed with specific reference to Malaysian decided cases. The Court of Appeal decision in the case of *Lim Kok Hoe*,¹ where the obligation to pay the full sale price by the client

* Paper presented at Inaugural ISRA Colloquium, 'Innovation in Islamic Finance: Shari'ah Driven or Market Driven', organized by International Shari'ah Research Academy for Islamic Finance (ISRA), held on 28 June 2011, Kuala Lumpur, Malaysia.

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1 *Bank Islam Malaysia Bhd v. Lim Kok Hoe & Anor and Other Appeals* [2009] 6 CLJ 22.