RIBBIS: MATTERS OF INTEREST Introduction to Ribbis

1. DELAYED PAYMENT

If a store sets a price on an item, they may not charge more for credit. This is known as agar natar (charging for credit, aka ribbis). Many times, stores run sales with a two tier pricing system: the cheaper price for those who pay cash, and the higher price for those who buy on credit. An interest-bearing financing plan for a customer who purchased a couch would also be prohibited for the same reason.

This also would apply to sales of 2/10 net 30. Many times vendors will stipulate that should the customer pay within ten days of delivery he will be entitled to a 2 percent discount. Since according to halachah payment is due upon delivery of the goods, giving a reduction for paying on time is equivalent to charging more for paying late. This practice must be avoided.

2. BUYING A HOUSE ON PAPER

Developers often sell houses on paper, before they are actually built. The buyer signs a contract, gives a deposit, and then — when the house is completed — closes on the house. Until the closing, the buyer does not actually take title to the land. The contract is merely a binding agreement to buy/sell the developed house in the future. Since there is no transfer of any goods at the time of the deposit, the monies advanced are viewed in halachah as a loan until the closing takes place. In exchange for this loan, the seller agrees to freeze the price of the home. This type of agreement is called "*poskin,*" and is *avak ribbis*. The seller is relinquishing his right to raise the price of the item, even though its market value may rise, in exchange for the buyer advancing the money. The actual difference between the market value and the lower sale price is considered ribbis.

If two parties enter into a *poskin* agreement, halachah requires that the buyer pay the seller the actual market value of the item at the time of delivery. He may not buy the item for the lower agreed upon price since he is then collecting the ribbis. There are various solutions offered for this problem and one should consult his *rav*.

There are some who justify this practice with the following rationale. The reason poskin is prohibited is because it is *mechzi keribbis* (resembles ribbis). People may interpret the lower price as payment for advancing the funds. In a situation where the item being purchased will never have a clear market value, the discount will never be apparent. Houses often do not have a clear value. Therefore according to these opinions, buying on paper would be allowed.

3. PREPAYMENT FOR SALES

There are a number of cases that have similar problems. When a merchant runs a sale on items that he does not have in stock, and insists that customers pay the full purchase price up front in order to receive the sale price, it is considered *poskin*. This scenario is especially problematic since there are two different prices, the sale price available to customers that prepay, and the higher regular price. This contrast highlights the benefit that the buyer receives for prepaying, and makes the ribbis glaringly apparent.

Pre-publication specials are even more problematic. When the buyer pays for the item before it is even published, he receives a discounted price. The item is obviously not available elsewhere and will only become available for cash sales at a higher price.

A possible solution would be for the seller to allow customers to postdate their checks. Since the customer can obtain the item without prepaying, the “locked-in” price is not considered payment for the loan.