

Limitations To Bank Negara's Ibra Guideline

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Abstract

Whether a customer who defaults is entitled to *ibra* in Islamic financing transactions based on sale, has been the center of attention of the Islamic financial industry for a long time. Previous case-laws show that the approach of whether *ibra* should be granted to a defaulting customer has been inconsistent. The Shariah Advisory Council passed resolutions to address the problem but the real solution came when the Guideline on Ibra for Sale-Based Financing was issued in 2011 and last updated in 2013. The Guideline clarifies two main issues. Firstly, whether a customer who defaulted on their financing was entitled to *ibra*, and secondly, what the parameters for the formula for the calculation of *ibra* is. However, there are certain limitations to the Guideline which limit its scope of application. The focus of this research is to explain the issues that the Guideline attempted to cure and point out some limitations of the Guideline. Possible recommendations are also made to overcome the limitations.

Keywords: *Ibra* (rebate); *Ibra* Guideline; bank selling price; deferred profit; *Bai-bithamin Ajil*

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