

Defining Islamic guidelines for extended warranties: Fatwa

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ABSTRACT

This study addresses the challenge of defining comprehensive Islamic guidelines for extended warranties, a topic marked by inconsistent practices and conflicting scholarly opinions. Focusing on fatwa analysis and practical applications, the research bridges the gap between Islamic principles and modern market needs. The study employs a qualitative methodology, conducting extensive library research on academic literature and analyzing 28 fatwa rulings from 1999 to 2024. Findings reveal a spectrum of scholarly opinions, with consensus on standard warranties included in original sales, but divergence on separately purchased extended warranties. The research identifies key parameters for Shariah compliance, including integration with the original sale contract, transparency of terms, and avoidance of excessive uncertainty (gharar) and gambling-like elements (maysir). Practical applications are proposed, including takaful-based models and service-oriented warranties focusing on periodic maintenance. These align with Islamic principles of cooperation (ta'awun) and consumer protection while addressing market demands. The study emphasizes the importance of purchase timing and suggests integrating extended warranties into initial product pricing as a viable approach in Islamic finance. Additionally, it explores the potential of sustainability-focused warranty structures to align with Islamic ethics and contemporary environmental concerns, offering a framework for the practical implementation of Shariah-compliant extended warranties in various market contexts.

1. Introduction

Extended warranties, which are service contracts that provide repair or maintenance coverage after the original warranty expires, have become a significant aspect of modern commerce, presenting both opportunities and challenges for Muslim consumers and businesses operating within the framework of

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Islamic law. The Quran emphasizes the importance of conducting business transactions in accordance with divine guidance, stating "Allah has permitted trade and forbidden usury" (Quran, 2:275). This principle underscores the need for a comprehensive examination of extended warranties through the lens of Islamic jurisprudence to ensure alignment with ethical and moral standards outlined in Islamic teachings (Al-Bakri, 2023; Hidayat, 2006).

The complexity of extended warranties, which often involve elements of risk transfer, uncertainty (gharar), and potential exploitation, necessitates a thorough analysis of existing fatwas (religious rulings) and the application of *ijtihad* (independent reasoning) to derive practical guidelines for the Muslim ummah in the contemporary era. The Prophet Muhammad (peace be upon him) provided a foundational framework for ethical business practices, emphasizing transparency and fairness in commercial dealings (Al-Bakri, 2023). However, the challenge lies in balancing the potential benefits of extended warranties, such as consumer protection and peace of mind, with the need to avoid contractual ambiguities and unjust enrichment (Hidayat, 2006; Murdiana & Chintya, 2017).

The topic of extended warranties is deeply intertwined with several key issues in *fiqh al-muamalat* (Islamic jurisprudence of financial transactions). At its core, this subject touches upon fundamental principles such as the prohibition of *gharar* (excessive uncertainty) and *riba* (usury), as well as the requirements for valid contracts in Islamic law (Al-‘Āzimī, 2023; Al-Bakri, 2023). Extended warranties, by their nature, involve an element of uncertainty regarding future events and potential repairs, which raises questions about their compliance with the *gharar* prohibition. Some scholars argue that extended warranties contain elements of *gharar* and *qimar* (gambling), making them impermissible when sold separately from the product (Al-Bakri, 2023; Butt, 2009).

However, there are differing opinions among scholars regarding the permissibility and structure of extended warranties in Islamic finance. Some argue that the principle of *kafalah* (guarantee or surety) may be applied to conceptualize extended warranties in a Shari'ah-compliant manner (Al-‘Āzimī, 2023). Others suggest that extended warranties could be structured based on the concept of *ta'awun* (cooperation), which is encouraged in the Quran (Quran, 5:2), potentially justifying certain forms of warranty arrangements that distribute risk among a group of participants, similar to *takaful* insurance models (Al-‘Āzimī, 2023). The challenge for scholars and practitioners in *fiqh al-muamalat* is to navigate these various principles and concepts to develop extended warranty products that not only comply with the letter of Islamic law but also fulfill its spirit of fairness, transparency, and mutual benefit in financial transactions (Al-‘Āzimī, 2023; Murdiana & Chintya, 2017).

This research aims to address the complex issues surrounding extended warranties in Islamic finance by focusing on two key objectives. First, it seeks to critically analyze and synthesize existing *fatawa* (religious rulings) on extended warranties from various Islamic schools of thought and contemporary scholars, with the goal of identifying key principles and areas where scholars agree or differ. Second, the research will examine different types and purposes of extended warranties in today's marketplace to evaluate how well they align with Islamic commercial principles, particularly focusing on concerns related to *gharar* (uncertainty) and *riba* (usury). Through these objectives, the study aims to bridge the gap between traditional Islamic commercial principles and contemporary business practices while providing clear, practical guidelines for Muslim consumers and businesses.

The research problem centers on the lack of comprehensive Islamic guidelines for extended warranties in the contemporary marketplace. Despite the ubiquity of extended warranties in modern commerce, there is a significant gap in the Islamic jurisprudential framework addressing their permissibility and structure (Al-Bakri, 2023; Hidayat, 2006). This absence of clear guidelines has led to inconsistent practices and conflicting opinions among scholars, leaving Muslim consumers and businesses uncertain about the Shari'ah compliance of extended warranty offerings (Butt, 2009; Al-‘Āzimī, 2023). The problem is further compounded by the complex nature of extended warranties, which often involve elements of *gharar* (excessive uncertainty) and potential *riba* (usury), both of which are prohibited in Islamic finance (Al-Bakri, 2023; Murdiana & Chintya, 2017).

Moreover, there is a pressing need to analyze existing fatwas (religious rulings) on extended warranties and synthesize them into practical, applicable guidelines for the modern Muslim community. The challenge

lies in reconciling traditional Islamic commercial principles with the realities of contemporary business practices, particularly in the realm of consumer protection and risk management (Al-‘Āzimī, 2023; Hidayat, 2006). This research problem also encompasses the need to explore potential Shari'ah-compliant structures for extended warranties, such as those based on the principles of kafalah (guarantee) or ta'awun (cooperation), and to assess their viability in various market contexts (Al-‘Āzimī, 2023). Additionally, the research must address the practical implications of these guidelines, considering factors such as pricing strategies, consumer behavior, and the economic impact on businesses offering extended warranties (Estelami et al., 2016; Kim & Nayakankuppam, 2023).

2. Methodology

This study employs a comprehensive research methodology that combines extensive library research for data collection with qualitative analysis techniques. The approach is designed to thoroughly investigate the complex issues surrounding extended warranties from an Islamic perspective, aiming to develop practical guidelines that are both Shariah-compliant and applicable in modern financial contexts.

2.1 Data collection

The data collection process for this research relies heavily on library research, focusing on recent studies, fatwa compilations, and scholarly works in the field of Islamic finance and economics. This approach is chosen due to the nature of the research problem, which requires a deep understanding of both classical Islamic principles and contemporary financial practices.

The data collection process involves a systematic review of these sources, with particular attention paid to works published within the last two decades to ensure relevance to current financial practices and Islamic jurisprudential discussions. This comprehensive approach allows for a thorough examination of both classical and contemporary perspectives on extended warranties and related financial products in Islamic finance.

2.2 Data analysis

The research employs a qualitative method for data analysis, which is particularly well-suited to the complex nature of the research problem. The qualitative analysis will involve several key techniques:

- i. **Content Analysis:** This involves systematically reviewing and interpreting the collected textual data to identify patterns, themes, and concepts related to extended warranties in Islamic finance. The content analysis will focus on extracting key principles, arguments, and rulings from the collected sources.
- ii. **Comparative Analysis:** Different scholarly opinions and fatwa rulings will be compared and contrasted to gain a comprehensive understanding of the various perspectives on extended warranties in Islamic law. This comparative approach will help identify areas of consensus and divergence among scholars.
- iii. **Thematic Synthesis:** The findings from the various analytical techniques will be synthesized to develop a coherent framework of Islamic guidelines for extended warranties. This synthesis will aim to bridge classical Islamic principles with modern financial realities.

The research methodology aligns closely with the study's objectives, employing library research and qualitative analysis techniques to address each goal comprehensively. For the critical analysis of fatwas and examination of extended warranty types, the methodology focuses on extensive data collection from diverse sources, followed by content analysis, comparative analysis, and thematic synthesis. This approach ensures a thorough understanding of both religious rulings and contemporary extended warranty practices, facilitating the evaluation of their compatibility with Islamic principles.

In developing a comprehensive Islamic framework and proposing practical applications, the methodology utilizes hermeneutical analysis to interpret classical texts in modern contexts, and case study analysis to examine existing Shari'ah-compliant products. This combination of techniques enables the

research to bridge traditional Islamic principles with contemporary financial realities, resulting in guidelines that are both religiously sound and practically applicable. The qualitative nature of the methodology allows for a nuanced exploration of complex issues, ensuring that the research outcomes are academically rigorous and relevant to the Islamic financial industry.

3. Literature review

This literature review examines recent studies and fatwas on extended warranties from an Islamic perspective, spanning from 2006 to 2023 for academic research and 1999 to 2024 for fatwa rulings, to provide a comprehensive foundation for defining Islamic guidelines for extended warranties. By analyzing both academic research and religious edicts, this review aims to bridge the gap between theoretical Islamic finance and practical applications in contemporary markets.

3.1 Recent studies

Extended warranties present a complex challenge in Islamic finance, requiring a careful balance between modern consumer needs and traditional Shariah principles. This literature review examines recent studies and fatwas to explore this intersection.

3.1.1 Development of ideas

The concept of extended warranties in Islamic finance has evolved significantly over the past two decades. Early studies, such as Hidayat (2006), laid the groundwork by exploring the general concept of warranties from an Islamic perspective, drawing parallels between modern warranties and the traditional Islamic concept of *khiyar aib* (option of defect). This foundational work emphasized the permissibility of warranties in Islamic law, provided they adhere to principles of justice and mutual benefit.

As the financial landscape evolved, subsequent studies began to focus more specifically on extended warranties. Butt (2009) presented a critical view, arguing that extended warranties, except for periodic service contracts, essentially function as a form of conventional insurance, which is problematic from an Islamic perspective due to elements of *gharar* (uncertainty), *khatar* (risk), *qimar* (gambling), and potentially *riba* (usury).

The discussion further developed with Al-'Uthmānī (2015) examining extended warranties in the context of maintenance contracts and conditional sales. This study highlighted the complexity of adapting traditional Islamic jurisprudence to modern financial products, referencing historical precedents like the Ottoman amendments to the *Mecelle* (Ottoman Civil Code) to accommodate changing commercial practices.

More recent studies have broadened the scope of analysis. Murdiana and Chintya (2017) explored lifetime warranties, finding similarities between their underlying principles and those of *khiyar aib* in Islamic law. This research suggested a potential pathway for reconciling extended warranty concepts with Islamic economic principles.

The latest developments in the field, as seen in studies by Al-Bakri (2023) and Al-'Āzimī (2023), have focused on developing more nuanced and practical guidelines for extended warranties in Islamic finance. These works attempt to balance the need for consumer protection and modern business practices with adherence to Islamic principles, suggesting potential structures and controls for Shariah-compliant extended warranty offerings.

3.1.2 Comparison between studies

While there is a consensus on the importance of aligning extended warranties with Islamic principles, the studies reveal divergent views on their permissibility and implementation. Butt (2009) and Alqudah (2019) take a more restrictive stance, viewing extended warranties as largely incompatible with Islamic

finance due to their similarity to conventional insurance. In contrast, Hidayat (2006) and Murdiana and Chintya (2017) present a more accommodating view, finding ways to reconcile extended warranties with Islamic concepts like *khiyar aib*.

The economic perspective on extended warranties also varies across studies. While Estelami et al. (2016) and Qin et al. (2017) focus on pricing strategies and supply chain dynamics in conventional extended warranty offerings, studies like Liu et al. (2020) and Kim and Nayakankuppam (2023) explore innovative approaches such as complimentary extended warranties and the impact of timing on warranty purchases. These economic analyses, while not directly addressing Islamic finance, provide valuable insights into consumer behavior and market dynamics that could inform the development of Shariah-compliant alternatives.

Al-‘Āzimī’s (2023) comparative study stands out by attempting to bridge classical Islamic jurisprudence with contemporary extended warranty practices, proposing a framework for increasing product prices in exchange for extended maintenance periods. This approach differs from earlier studies by seeking to adapt existing Islamic contracts (like *ju’alah* or *ijarah*) to accommodate extended warranties, rather than viewing them as entirely new financial instruments.

3.1.3 Key points

Several key points emerge from the literature:

- i. The concept of warranties is not inherently incompatible with Islamic finance, but extended warranties present unique challenges due to their similarity to conventional insurance (Hidayat, 2006; Butt, 2009).
- ii. There is a need to balance consumer protection and risk management with adherence to Islamic principles, particularly avoiding excessive *gharar* and *riba* (Al-Bakri, 2023; al-‘Āzimī, 2023).
- iii. The economic and behavioral aspects of extended warranties, such as pricing strategies and consumer perceptions, are crucial considerations in developing Shariah-compliant alternatives (Estelami et al., 2016; Dunković & Knežević, 2023).
- iv. Innovative approaches, like complimentary extended warranties or integrating warranties with sustainability goals, may offer new avenues for Islamic finance to explore (Liu et al., 2020; Aksezer, 2023).
- v. The adaptation of traditional Islamic contracts and principles to accommodate extended warranties is an ongoing area of jurisprudential debate and development (Al-‘Uthmānī, 2015; Al-‘Āzimī, 2023).

3.1.4 Research gaps

Despite the growing body of literature on extended warranties in Islamic finance, several research gaps remain:

- i. There is a lack of comprehensive empirical studies on the implementation and performance of Shariah-compliant extended warranty products in real-world markets.
- ii. More research is needed on consumer perceptions and preferences regarding Islamic extended warranties, particularly in comparison to conventional offerings.
- iii. The potential for developing innovative Shariah-compliant extended warranty structures, such as those based on *takaful* principles or integrating with Islamic fintech solutions, remains largely unexplored.
- iv. There is a need for a more in-depth analysis of the long-term economic and social impacts of extended warranties in Islamic finance, particularly in terms of consumer protection and market stability.
- v. Further research is required to develop standardized guidelines and regulatory frameworks for extended warranties in Islamic finance, addressing the diverse opinions and approaches currently present in the field.

These gaps present opportunities for future research to contribute to the development of more robust and widely accepted Islamic guidelines for extended warranties, bridging theoretical jurisprudence with practical market applications.

3.2 *Fatwa analysis*

This literature review examines 28 fatwas from various Islamic scholars and institutions, spanning from 1999 to 2024, addressing the permissibility of extended warranties in light of Islamic principles and commercial practices.

3.2.1 *Comparison of fatwas*

The fatwas reviewed demonstrate a consensus on certain aspects of extended warranties while revealing significant disagreements on others. One area of broad agreement is the permissibility of standard warranties that are included with products at the time of sale. Many scholars, including Ibn Jibrīn (1999), Hidayat (2006), and Al-Bakri (2023), consider these warranties as permissible because they are viewed as subordinate to the main sales contract. The principle often cited is that "what is forgiven in the subordinate is not forgiven in the principal" (Pejabat Mufti Wilayah Persekutuan, 2016).

However, the permissibility of extended warranties purchased separately or after the initial sale is a point of significant disagreement among scholars. A substantial number of fatwas, including those from Islamweb.net (2003), Butt (2009), and Islamqa.info (2015), consider separately purchased extended warranties as impermissible. The primary reasons cited are the presence of *gharar* (uncertainty) and elements of gambling (*qimar*), which are prohibited in Islamic finance. These scholars argue that the buyer pays for a service they may or may not use, which introduces an unacceptable level of uncertainty into the transaction.

On the other hand, some scholars and institutions have taken a more permissive stance on extended warranties. For instance, Kahf (2001) suggests that extended warranties could be permissible if they are considered a form of insurance that does not involve *riba* (interest). Similarly, Desai (2019) and Reasat (2020) indicate that extended warranties purchased at the time of the product sale could be considered permissible, as they can be viewed as part of the overall purchase price.

A nuanced position is presented by scholars like As-Suwaylim (2017), who argues that while it's permissible to consider the warranty as part of the price if it's related to the commodity, it's not permissible to set a price for it independently. This view attempts to reconcile the need for consumer protection with the Islamic prohibition on *gharar* and *qimar*.

The timing of the warranty purchase emerges as a crucial factor in many fatwas. Several scholars, including Saheb (2021) and Miah (2022), make a distinction between warranties purchased at the time of the product sale and those purchased afterward. They generally view warranties included in the initial purchase more favorably, considering them as part of the product's price rather than a separate transaction.

An interesting perspective is offered by Aksezer (2023), who discusses extended warranties in the context of sustainability. This approach suggests that extended warranties, when structured appropriately, could align with Islamic principles of resource conservation and social responsibility.

The debate also touches on the comparison between extended warranties and conventional insurance. Many scholars, such as Alqudah (2019) and Al Jawi (2021), draw parallels between the two, often concluding that extended warranties face the same prohibitions as conventional insurance under Islamic law. However, some, like Butt (2021), make distinctions based on the nature of the coverage provided, suggesting that warranties covering only periodic service might be more acceptable than those promising repairs or replacements.

In conclusion, while there is a general agreement on the permissibility of standard warranties included with product sales, the issue of extended warranties remains contentious in Islamic finance. The main points of contention revolve around the presence of *gharar* and *qimar*, the timing of the warranty purchase, and the nature of the coverage provided. As the market for extended warranties continues to evolve, there is a

clear need for ongoing scholarly discussion to develop guidelines that balance consumer protection with adherence to Islamic financial principles.

3.2.2 Principles of arguments

The fatwas reviewed frequently cite several key Islamic sources and principles to support their arguments regarding extended warranties. These dalils (evidences) provide the foundation for the scholars' reasoning and judgments.

One of the most commonly cited Quranic verses is from Surah Al-Ma'idah (5:1), which states: "O you who have believed, fulfill [all] contracts" (Al-'Āzimī, 2023). This verse is often used to emphasize the importance of adhering to contractual obligations, which is relevant to both standard and extended warranties.

Another frequently referenced Quranic verse is from Surah Al-Ma'idah (5:90), which prohibits gambling (maisir). Scholars like Al Jawi (2021) uses this verse to argue against extended warranties, drawing parallels between the uncertainty in these contracts and gambling.

Regarding hadith, one of the most cited is the narration from Abu Hurayrah, reported in Sahih Muslim, where the Prophet Muhammad (peace be upon him) forbade gharar sales (Islamweb.net, 2003). This hadith is central to many arguments against extended warranties, as scholars often view these contracts as containing excessive uncertainty.

Another relevant hadith, mentioned by Al-'Āzimī (2023), states: "*Muslims are bound by their conditions as long as they are lawful.*" This hadith is used to support the permissibility of certain types of warranties, particularly those included in the initial sale contract.

The Islamic legal maxim "What is forgiven in the subordinate is not forgiven in the principal" (يُغْفَرُ فِي (التَّابِعِ مَا لَا يُغْفَرُ فِي الْمُنْبُوعِ) is frequently cited, particularly by scholars who differentiate between standard warranties and extended warranties (Al-Bakri, 2023; Pejabat Mufti Wilayah Persekutuan, 2016). This principle is used to justify the permissibility of standard warranties included with product sales while maintaining reservations about separately purchased extended warranties.

Several scholars, including As-Suwaylim (2017), reference the principle that "a condition has a share in the price" to argue for the permissibility of warranties that are included in the product's price at the time of sale.

The concept of khiyar aib (option of defect), rooted in classical Islamic jurisprudence, is mentioned by scholars like Hidayat (2006) and Murdiana and Chintya (2017) to draw parallels between traditional Islamic commercial practices and modern warranty concepts.

Some fatwas, such as those from Butt (2021) and the Jabatan Mufti Negeri Selangor (2024), discuss the concept of takaful as a potential Shariah-compliant alternative to conventional extended warranties. They base this on the principle of ta'awun (cooperation), which is encouraged in the Quran (Surah Al-Ma'idah, 5:2).

It's important to note that while these dalils are widely cited, their interpretation and application to the specific case of extended warranties vary among scholars. This diversity of opinion reflects the complexity of applying classical Islamic principles to modern financial products and highlights the ongoing nature of ijtihad (independent reasoning) in Islamic jurisprudence.

3.2.3 Remaining key areas

After analyzing these fatwas, several key areas remain to be addressed or further developed to this research:

- i. **Standardization of Guidelines:** While the fatwas provide various perspectives, there's a lack of standardized, comprehensive guidelines for extended warranties in Islamic finance. Developing a unified framework that addresses different types of extended warranties and their applications across various industries is still needed.

- ii. Practical Implementation Strategies: Many fatwas focus on theoretical permissibility or prohibition, but there's a gap in providing practical strategies for implementing Shariah-compliant extended warranty models in real-world business contexts.
- iii. Reconciliation with Consumer Protection Laws: An analysis of how Islamic guidelines for extended warranties can be reconciled with existing consumer protection laws in various jurisdictions is largely missing from these fatwas.
- iv. Digital and Fintech Applications: With the rise of e-commerce and fintech, guidelines specifically addressing digital extended warranties and their unique challenges in an Islamic context are needed.

Addressing these areas would contribute significantly to developing a more comprehensive and practically applicable set of Islamic guidelines for extended warranties.

4. Discussion

This research discussion aims to explore the intricate relationship between extended warranties and Islamic financial principles, seeking to define comprehensive guidelines that align with Shariah law while meeting contemporary market needs.

The study begins by providing an overview of extended warranties, examining their types, purposes, and economic implications in the global marketplace. It then delves into an in-depth analysis of Islamic rulings, parameters, and guidelines about extended warranties, drawing upon a diverse range of fatwa rulings from respected scholars and institutions. By synthesizing these scholars' opinions with practical market considerations, this discussion seeks to bridge the gap between theoretical Islamic jurisprudence and its real-world application in the extended warranty sector.

4.1 *Extended warranty: Overview, types and purposes*

Extended warranties represent a complex financial product that serves multiple purposes for both consumers and businesses. From an Islamic finance perspective, while the basic concept of warranty is acceptable and even encouraged, the specific structure and implementation of extended warranties require careful consideration.

4.1.1 *Definition and overview*

Extended warranties have become an integral part of modern commerce, offering consumers additional protection beyond the standard manufacturer's warranty. At its core, an extended warranty is a service contract that provides repair or maintenance coverage for a specified period after the original warranty expires (Islamweb.net, 2004). This financial product has gained significant traction across various industries, particularly in the realm of consumer durables and electronics.

The concept of extended warranties, while not explicitly mentioned in classical Islamic texts, has been subject to extensive scrutiny by contemporary Islamic scholars. Hidayat (2006) draws parallels between modern warranties and the Islamic concept of *khiyar aib* (option of defect), highlighting the long-standing tradition in Islamic jurisprudence of protecting consumer rights. This connection provides a foundation for discussing extended warranties within the framework of Islamic finance.

4.1.2 *Types of extended warranties*

Several types of extended warranties have emerged in the marketplace, each with its characteristics and implications for Islamic finance:

- i. Manufacturer-offered extended warranties: These are provided directly by the product manufacturer, often seen as an extension of the original warranty. Islamic scholars generally view these more favorably as they are closely tied to the original sale (Al-Bakri, 2023).

- ii. Retailer-offered extended warranties: Sold by retailers at the point of sale, these warranties have been a subject of debate among Islamic scholars. Some, like Ibn Jibrīn (1999), permit them if included in the initial sale price, while others view them with caution due to potential gharar (uncertainty) issues.
- iii. Third-party extended warranties: Offered by independent companies, these are often viewed more critically by Islamic scholars due to their separation from the original sale transaction (Islamqa.info, 2015).
- iv. Product-specific warranties: These are tailored to specific product categories such as electronics, automobiles, or appliances. The permissibility in Islamic finance often depends on the specific terms and conditions of each warranty (Butt, 2021).
- v. Complimentary extended warranties: A newer concept explored by Liu et al. (2020), where customers can enjoy free extended warranty coverage by registering online before the base warranty expires. This model presents interesting possibilities for Shariah-compliant extended warranties.

4.1.3 Purposes of extended warranties

The purposes of extended warranties are multifaceted, serving both consumers and businesses in various ways:

- i. Consumer Protection: The primary purpose from a consumer perspective is to provide peace of mind and financial protection against unexpected repair costs after the standard warranty expires (Dunković & Knežević, 2023). This aligns with the Islamic principle of reducing hardship and promoting fair dealings in transactions.
- ii. Risk Management for Consumers: Extended warranties serve as a risk transfer mechanism, allowing consumers to hedge against potential large losses by accepting a smaller, known cost upfront (Butt, 2009). However, this aspect has been a point of contention among Islamic scholars due to its similarity to conventional insurance.
- iii. Revenue Generation for Businesses: For manufacturers and retailers, extended warranties represent a significant source of revenue and profit. Estelami et al. (2016) highlight that the pricing of these warranties is influenced by various factors, including product category, brand, and retailer strategies.
- iv. Market Differentiation: Extended warranties serve as a tool for businesses to differentiate themselves in competitive markets. As noted by Qin et al. (2017), offering extended warranties can benefit both manufacturers and retailers in certain market conditions.
- v. Customer Relationship Management: Extended warranties provide businesses with an opportunity to maintain longer-term relationships with customers, potentially leading to increased brand loyalty and future sales (Aksezer, 2023).
- vi. Sustainability Promotion: An emerging purpose of extended warranties, as highlighted by Aksezer (2023), is to promote product sustainability. By encouraging repairs over replacement, extended warranties can contribute to longer product lifecycles and reduced waste.

4.1.4 Islamic perspectives on the purposes of extended warranties

The purposes of extended warranties present both opportunities and challenges when viewed through the lens of Islamic finance:

- i. Mutual Benefit (Ta'awun): The concept of mutual help and cooperation is fundamental in Islamic finance. Extended warranties, when structured appropriately, can embody this principle by providing a mechanism for shared risk among consumers (Murdiana & Chintya, 2017).
- ii. Avoiding Gharar and Maysir: The uncertainty inherent in extended warranties has been a primary concern for Islamic scholars. Many, including Al Jawi (2021), argue that conventional extended

- warranties contain elements of *gharar* (excessive uncertainty) and *maysir* (gambling), which are prohibited in Islamic finance.
- iii. Consumer Protection in Line with *Maqasid al-Shariah*: The overarching purposes of Islamic law (*Maqasid al-Shariah*) include the protection of wealth. Extended warranties, when aligned with Islamic principles, can serve this purpose by safeguarding consumers' financial interests (Al-‘Azimī, 2023).
 - iv. Ethical Business Practices: Islamic finance emphasizes ethical business conduct. The revenue generation aspect of extended warranties must be balanced with fair pricing and transparent terms to align with Islamic principles of just trade (Pejabat Mufti Wilayah Persekutuan, 2016).
 - v. Promoting Sustainability: The potential of extended warranties to promote product longevity and reduce waste aligns well with Islamic principles of resource stewardship and environmental protection (Aksezer, 2023).

4.2 *Islamic rulings, parameters and guidelines*

The Islamic rulings, parameters, and guidelines for extended warranties reflect the complex nature of this modern financial product when viewed through the lens of Islamic finance. While there is general agreement on the permissibility of standard warranties included in the original sale, extended warranties present more challenges due to elements of uncertainty and potential similarity to prohibited insurance practices.

4.2.1 *Foundational Islamic principles*

The discussion of extended warranties in Islamic finance is grounded in several key principles that govern financial transactions in Islam. These principles serve as the framework for evaluating the permissibility and structure of extended warranties:

- i. Prohibition of *Gharar* (Excessive Uncertainty): This principle is central to the debate on extended warranties. Many scholars, including Islamweb.net (2003), cite the hadith narrated by Abu Hurayrah where the Prophet Muhammad (peace be upon him) forbade *gharar* sales. The uncertainty in extended warranties - whether the product will malfunction and require repair - is a primary concern.
- ii. Avoidance of *Maysir* (Gambling): Al Jawi (2021) emphasizes that extended warranties can resemble gambling, where the consumer pays a premium that may or may not result in a benefit, depending on whether the product requires repair.
- iii. Prohibition of *Riba* (Usury): While not always directly applicable to extended warranties, the principle of avoiding interest-based transactions influences how these warranties are structured and priced (Kahf, 2001).
- iv. Principle of Mutual Consent (*Ar-Ridha*): Murdiana and Chintya (2017) highlight the importance of mutual agreement in transactions, which applies to the offering and acceptance of extended warranties.
- v. Upholding Justice and Fairness: Hidayat (2006) stresses that any warranty agreement must uphold the basic values of *mu'amalah*, including justice, equality, and the fulfillment of rights without harm to either party.

4.2.2 *Analysis of Islamic rulings*

The Islamic rulings on extended warranties reveal a spectrum of opinions among scholars:

- i. Permissibility of standard warranties: There is a consensus that standard warranties included in the original sale price are permissible. Al-Bakri (2023) notes that these fall under the category of al-Wa'd (promise) or stipulate a benefit for the buyer.
- ii. Extended warranties purchased at time of sale: Opinions are divided on this issue. Some scholars, like Ibn Jibrīn (1999) and Desai (2019), permit extended warranties if they are purchased as part of the original sale transaction. They argue that in this case, the warranty can be considered part of the product's price.
- iii. Separately purchased extended warranties: There is stronger opposition to extended warranties purchased after the initial sale or as separate contracts. Islamqa.info (2015) and many other scholars consider these impermissible due to the presence of gharar and elements of gambling.
- iv. Takaful-based warranties: Some scholars, including the Jabatan Mufti Negeri Selangor (2024), suggest that extended warranties structured on takaful principles could be permissible, as they would avoid the prohibited elements of conventional insurance.

4.2.3 Parameters for shariah compliance

Based on the various fatwa rulings and scholarly opinions, several parameters emerge for potentially Shariah-compliant extended warranties:

- i. Timing of Purchase: The majority of permissive opinions stress that the extended warranty should be purchased at the time of the original sale (Reasat, 2020).
- ii. Integration with Product Price: Al-Āzimī (2023) suggests that increasing the product price to include extended warranty coverage could be permissible, as it becomes part of the sale contract rather than a separate transaction.
- iii. Clear Terms and Conditions: To avoid gharar, the terms of the warranty must be specified, including the duration, coverage, and responsibilities of both parties (Islamweb.net, 2004).
- iv. Avoidance of Separate Pricing: Many scholars, including As-Suwaylim (2017), emphasize that the warranty should not have a separate price but should be incorporated into the overall product price.
- v. Limitation on Speculation: The warranty should be structured to minimize speculative elements. This could involve basing the warranty on actual repair costs rather than fixed premiums (Butt, 2021).

4.2.4 Proposed guidelines for Islamic extended warranties

Drawing from the various scholarly opinions and fatwa rulings, the following guidelines can be proposed for developing Shariah-compliant extended warranties:

- i. Integration with Sale Contract: Extended warranties should be offered and priced as part of the original sale transaction, not as separate contracts (Miah, 2022).
- ii. Transparency and Clarity: All terms and conditions of the warranty must be communicated to the buyer at the time of sale, including coverage limits, duration, and claim procedures (Islamweb.net, 2004).
- iii. Fair Pricing: The price of the warranty should be reasonable and reflective of the actual expected costs of repairs or replacements, avoiding excessive profit margins that could be seen as exploitative (Estelami et al., 2016).
- iv. Risk Sharing Mechanism: Implementing a takaful-based model where risks are shared among a pool of participants could align extended warranties more closely with Islamic principles (Jabatan Mufti Negeri Selangor, 2024).

- v. Service-Oriented Approach: Structuring warranties to focus on periodic maintenance and servicing, rather than just repair of malfunctions, could reduce the element of uncertainty (Butt, 2021).
- vi. Ethical Marketing: The marketing of extended warranties should avoid pressure tactics and provide clear, honest information about the benefits and limitations of the warranty (Dunković & Knežević, 2023).
- vii. Sustainability Focus: Incorporating principles of sustainability and responsible consumption into the warranty structure could align it more closely with broader Islamic ethical principles (Aksezer, 2023).

5. Conclusion

The discussion on extended warranties in Islamic finance reveals a complex interplay between modern financial products and traditional Islamic principles. While standard warranties are generally accepted, extended warranties present significant challenges due to concerns about *gharar* and *maysir*. The permissibility of extended warranties largely depends on their structure, timing of purchase, and integration with the original sale contract. As the market evolves, there is a clear need for innovative approaches that can reconcile the consumer benefits of extended warranties with Islamic financial principles.

Regarding the first objective of this research, the analysis of existing *fatawa* reveals a spectrum of opinions on extended warranties. There is a consensus on the permissibility of standard warranties included in the original sale price. However, opinions diverge significantly on extended warranties, especially those purchased separately from the product. Some scholars permit extended warranties if purchased at the time of sale, while others consider separately purchased warranties impermissible due to *gharar* and gambling elements. The key principles identified include the prohibition of excessive uncertainty (*gharar*), avoidance of gambling-like transactions (*maysir*), and the importance of clear, mutually agreed terms in contracts.

Based on this analysis, the researcher concludes that while there is no unanimous consensus on extended warranties, the permissibility largely depends on how closely the warranty is tied to the original sale. This suggests that developing extended warranty models that are integrated into the initial purchase could be a viable path forward for Islamic finance.

Concerning the second objective of this research, the examination of different types and purposes of extended warranties revealed varied implications for Islamic finance. Manufacturer-offered and retailer-offered warranties purchased at the time of sale are generally viewed more favorably than third-party or separately purchased warranties. The purposes of extended warranties, including consumer protection and risk management, align well with Islamic principles of reducing hardship and promoting fair dealings. However, the risk transfer mechanism and potential for excessive profit margins raise concerns about compatibility with Islamic commercial principles. The issues of *gharar* are particularly prominent in extended warranties due to the uncertainty of whether the product will require repair during the warranty period.

In the researcher's assessment, the alignment of extended warranties' purposes with Islamic principles of consumer protection and fair dealing presents an opportunity. However, the challenge lies in structuring these warranties to minimize uncertainty and avoid resemblance to conventional insurance. I believe that focusing on the service aspect rather than the risk transfer mechanism could be a key to reconciling extended warranties with Islamic commercial principles.

In developing a comprehensive framework of Islamic guidelines for extended warranties as in the third objective of this research, several key parameters emerged. These include the timing of warranty purchase (preferably at the time of original sale), integration of warranty costs into the product price rather than separate pricing, clear specification of terms and conditions, and minimization of speculative elements. The framework also emphasizes the importance of fair pricing, transparency, and ethical marketing practices. A significant finding is the potential for *takaful*-based warranty models, which could align more closely with Islamic principles of risk-sharing and cooperation.

From the researcher's perspective, this framework provides a solid foundation for developing Shariah-compliant extended warranties. I particularly see potential in the takaful-based model as it aligns closely with Islamic principles of cooperation. However, I believe that successful implementation will require significant effort in educating both consumers and businesses about these new models.

Regarding practical applications as in the fourth objective of this research, the research suggests several potential Shariah-compliant models for extended warranties. These include service-oriented warranties focusing on periodic maintenance, takaful-based warranty pools, and warranties integrated into the original sale price. The feasibility of these models varies depending on market contexts and consumer scenarios. In markets with a high Muslim population, takaful-based models might be more viable, while in mixed markets, integrated pricing models might be more practical. The research also highlights the need for consumer education and regulatory support to implement these Sharia-compliant models effectively. The sustainability-focused approach to warranties presents an innovative direction that aligns well with both Islamic principles and contemporary environmental concerns.

In the researcher's opinion, the most promising direction for Shariah-compliant extended warranties lies in models that combine service-oriented approaches with elements of takaful. I believe that such hybrid models could effectively balance Shariah compliance with market viability. Furthermore, I see the integration of sustainability principles into warranty structures as a significant opportunity to align Islamic finance with global trends in responsible consumption.

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Conflict of interest statement

The authors agree that this research was conducted in the absence of any self-benefits, commercial or financial conflicts and declare the absence of conflicting interests with the funders.

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Authors' contributions

The author carried out the research, wrote and revised the article. He also did the data collection and data analysis.



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