

DEBT

Transferring Debt

What are the rules regarding the transfer of debt?

Where one person (the lender) lends money to another person (the borrower) who is already owed money by a third person, the borrower may choose to transfer the debt (owed by the third person) so that the third person becomes obligated to pay the original lender.

However, the two debts (the one the borrower owes the lender and the one the third person owes the borrower) must be equal in type and amount to avoid riba; where two debts are of unequal amounts (e.g. if the borrower owes the lender \$100 and a third person owes the borrower \$200, then \$100 of the amount the third person owes the borrower is transferable to the original lender, while \$100 remains to be owed to the borrower). Transfer of debt requires the original lender's consent and his knowledge of the contents of the original debt transaction, though the transference does not require the third person's consent.

Conditions Of Collateral And Guarantee In Transfer Of Debt

Do conditions of collateral and guarantee transfer with the debt?

Conditions of collateral and guarantee do not transfer, so that the one putting up the collateral or the one guaranteeing the transaction are absolved of responsibility once the loan transfers.