



**In the Name of Allah, The Beneficent, The Merciful**

## **Pensions and Gross Uncertainty – An Overview**

This *fatwā* seeks to clarify the *sharī'ah* perspective on the permissibility of pensions, both personal pensions as well as occupational pensions (final salary as well as money purchase).

Given the complexity of the area, the paper looks firstly at some pertinent *sharī'ah* issues. These relate to:

1. Employment law
2. To the potential of *gharar* (uncertain) clauses to void a contract
3. The central issue of ownership of a pension without possession.

Having dealt with these prerequisite issues, this document opines on the permissibility of pensions.

The *fatwā* concludes that income received from UK pensions can be deemed to be pure (*ṭayyib*) income (assuming the underlying investments are *sharī'ah* compliant). However, the pension contract is defective – *fāsid* from a *sharī'ah* perspective. The *fatwā* also addresses the permissibility of annuities and other alternatives.

The *fatwā* then concludes with some suggestions to pension providers and regulators on how to amend existing pension schemes and regulations so as to achieve a pension contract which would be entirely valid - *ṣaḥīḥ* from a *sharī'ah* perspective.