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Sharia Laws and Regulations that Govern the Residential Financing at Ajman Bank in the UAE

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Abstract

Residential financing is one of the main pillars and pillars on which the economy depends. The movement of the various economic sectors is linked to funds and loans granted from financing sources. Consequently, countries needed to determine the directions and paths of financing according to the requirements of the economic situation. Nevertheless, the demand for Islamic residential financing in the United Arab Emirates has increased. This paper aims to identify the Islamic Residential finance products offered by Ajman bank and examine the Sharia and legal issues and challenges. However, the extent to which Islamic Sharia legislation at Ajman bank is implemented is in a true sense. In order to achieve the objective of this paper, pure legal research was adopted using the qualitative approach to analyze relevant Islamic Sharia legislation related to residential financing at Ajman Bank in the UAE. The paper concluded that Islamic Sharia legislation at Ajman Bank in the UAE is not implemented in a true sense. The paper recommended an urgent need to set the UAE Central Bank policies on an equal footing with some Islamic countries to control the Islamic residential financing products. It is also recommended to exaggerate the rates of profits on their financing products and high fees carried out by some Islamic banks in the UAE.

Keywords: Sharia Laws and Regulations, Residential Financing, Ajman Bank in the UAE.

1. Introduction

The Gulf Cooperation Council (GCC) member the United Arab Emirates (UAE), is a federation of seven small American Gulf emirates, namely, Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah, and Umm Al Qaiwain. The UAE has a fragmented banking sector where many domestic and foreign banks operate (Hashmi, 2007). The Central Bank of UAE manages well the banking sector leading to the country's growth and globalization efforts because the UAE banking sector has grown considerably and is pitching up for the global contest. Islamic Banking is a significant component of the UAE banking sector as Federal Law 6 was promulgated in 1985 to legalize Islamic banking. Following the Islamic Banking Law, banks cannot charge a fixed interest rate on deposits or loans (Hashmi, 2007). In addition, Mr. Abdulaziz Saud Al-Mualah, the official in charge of the Emirates Central Bank; in an interview, said that: "Under the guidance of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Deputy Prime Minister and Ruler of Dubai, to raise the country to the first level in the world regarding Islamic finance and to be the UAE a center of Islamic finance, and at the moment our competitors are Malaysia, Bahrain and Britain mainly, and by establishing the Dubai Center for Islamic Economy and activating the supreme sharia body in the central bank began steps towards government trends to reach the first place, which are clear trends on upgrading Islamic finances. The UAE is one of the leading countries in this field, and as you know that Dubai Islamic Bank is the first bank in the world as an Islamic commercial bank, or it can be called the first successful experience of Islamic banking, and if there are banks established before it but were not commercial and general for all individuals and institutions in the same way that you see at the moment and in short (integrated bank) and not only a savings bank, and during the previous period some legislation was developed that helps Islamic banks to do their work and develop in accordance with the principles of Islamic law. A strategic committee formed by the Council of Ministers has its primary task of considering the financial situation in the State, and an important part of its work is to consider Islamic finances and develop work in this area in general." The UAE is progressing dramatically, and it has been the first choice for living and employment for many. Due to the urban boom that prevails in the UAE, the continuous increase in its population, and the urgent need to provide adequate housing for citizens and residents,

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Islamic residential financing products have increased (Meera and Razak, 2005). Islamic banks have provided many new and varied packages to meet those needs (Ahmed, 2014). However, there is still ambiguity regarding these products. In addition, the lack of accurate and in-depth studies on Islamic residential products, particularly in the UAE, widens the gap, leaving the field open for banks to expand the provision of new products created without oversight or a way of bridging that gap (Renaud, 2012).

The primary objective of this study is to examine the Islamic residential financial products in Islamic banks concerning Ajman Bank. Ajman Bank is a keystone in Ajman's economic development strategy and can benefit from the Emirate's growth and potential like no other. The bank is committed to becoming a sustainable organization in its truest sense, balancing care for the community and employees with the business of delivering value to its shareholders and customers. Using Ajman bank as the case study, this scholarly initiative seeks to effectively contribute to Islamic banking related to Islamic residential financing products currently available in the UAE. Property finance is one of the most important products offered by Ajman Bank to its customers. The bank presents several types of offers and contracts to its customers under the heading of property finance, such as ready properties, under-construction properties, equity release, Government housing programs, land finance, etc. This paper aims to examine the Islamic finance products offered by Ajman bank and assess the legal and Sharia-related issues and challenges therein.

2. Methodology

This doctrinal legal research uses qualitative research methodology based on interview data. The analysis is based on interviews with prominent expert officials of the Ajman bank in the UAE. It analyzes relevant Sharia laws and regulations governing residential financing at the said bank. In addition, the fact that stability and certainty of law are desirable goals and social values to be pursued makes pure legal research of primary concern. (Thornhill, Saunders & Lewis, 2009; Creswell, 2016; Yin, 2003). Doctrinal or pure legal research intends to verify the case through legal reasoning or rational deduction. It includes a systematic examination of all Sharia laws and regulations, decisions, and judicial decisions applied to Islamic residential financing products in the United Arab Emirates. (Al Amaren, E. M., Hamad, A. M., Al Mashhour, O. F., & Al Mashni, M. I., 2020). The results show that Ajman bank associates with issues relating to financial management practices. Although the bank displays control for risk mitigation and the bank following the Sharia-compliant, it correlates various challenges. In addition, the findings reveal that the bank complies with UAE Central Bank regulations.

3. Analysis and Discussion

Islamic banking primarily necessitates careful attention to the dimensions of the quality of banking services through technology, information, and communications, paying attention to employees financially and educating them to build the necessary skills, support and apply Islamic values, and focus on marketing (Mohammed, 2017). Furthermore, the legislation is the core of the law rules by which Islamic finance can coherently establish Islamic legal rules to provide finance for businesses (Abdullah and Chee, 2010). These business transactions include buying and selling, trading and leasing, and other unlimited Islamic transactions. (Tabash, 2019). These Islamic transactions should substitute for the positivist rules in which usury, arrogance, and ignorance lie, which are haram in Islamic law (Beck, Demirgüç-Kunt, and Merrouche, 2010; Shaikh and Noordin, 2018). The rule of Islamic transactions in this section includes the financing rule for interest-bearing loans, the financing rule with participation contracts, the financing rule with Murabaha contracts, the financing rule through Istisna'a and Istisna'in parallel, and many other varies that replace the financing rule with interest-bearing loans, as known in Islamic jurisprudence (Abdullah & Chee, 2010; Ayub, 2015). Many questions have been raised about the validity and nature of these laws and their practical applicability. For residential finance, there is a need to set a standard to refer to the conceptualization of these products because judging the thing branch of its perception is what the author will address in this paper. In this point, *Mr. Ahmed Mohammed Al-Rumaitbi*, a consumer of residential Islamic finance products; in an interview, said: "The laws governing this product is not sufficient, due to if there were sufficient laws governing these banks, many customers would not have fallen into the nets of these banks and suffered what they suffered because of greed and profit greed." There are two types of Islamic finance products facing challenges right now, which can be divided into three categories: issues and difficulties related to the bank itself, issues related to investors or customers, and issues related to the contracts used by the bank in residential financing and accurately review them. It has been determined to follow Islamic Shari'a and the Accounting and Auditing Organization standards for Islamic Financial Institutions. The following section provides an analytical discussion of the issues and challenges involving residential finance in Ajman bank based on the data collected

from the field.

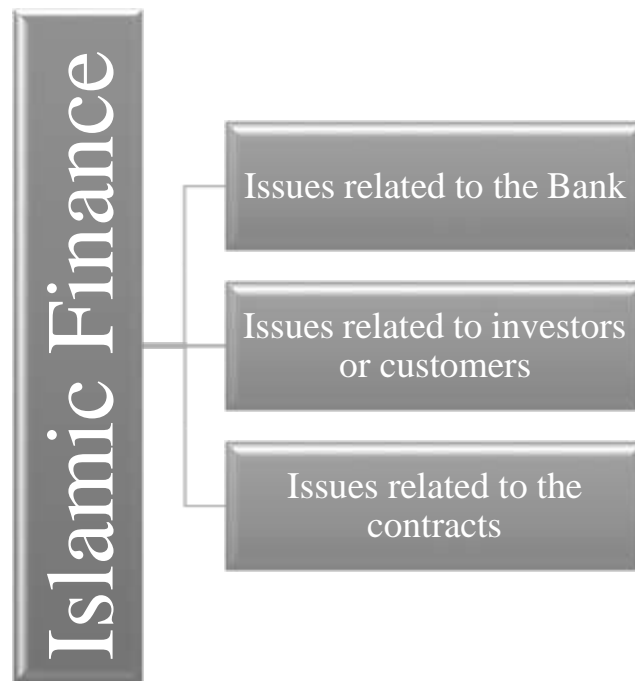


Figure 1: Issues in Islamic Finance Products

Practical and Legal Issues Facing the Bank

The first legal problem that Ajman Bank faces is the lack of a general legal framework governing Islamic finance products. Islamic products without a legal framework are complex for banks to operate and contest in court in the event of defaults, such as mortgage loans and Islamic mortgage home finance products, which do not have any legal framework in the UAE (Abduh & Othman, 2014). It will be even more challenging to contest in Civil Court because it issues judgments unrelated to the contract concluded between the customer and the bank, despite an actual lease. Still, it is intended to finance the acquisition. Banks are currently facing difficulties in the UAE due to a lack of regulations; banks are finding it difficult to contest cases of customer default due to a lack of legal provisions (Abduh & Othman, 2014; Khan & Bhatti, 2008). If the customer defaults and cannot repay the loan, the banks are likely to fall into trouble because they lack legal regulations, which may take them twenty-five (25) years to go through the legal proceeding.

Considering the need for a solid legal framework, *Dr. Ibrahim Al-Shall, a member of the Shari'a Supervisory Board and Fatwa of Ajman Bank*; in an interview, said: "That the problems faced by Islamic banks are mostly legal because until today the judiciary has not absorbed this product, where there is no law, so far there exists so-called Ijara default ownership, and also there are no civil laws to cover these products and in the case of a dispute between the Islamic Bank and a customer, either on payment default or contract violations." In addition, in this point, *Mr. Ahmed Mohammed Al-Rumaihi*, a consumer of residential Islamic finance products; in an interview, said that: "The laws governing this product is not sufficient, due to if there were sufficient laws governing these banks, many customers would not have fallen into the nets of these banks and suffered what they suffered because of greed and profit greed" If either party decides to go to court, the judges are unfamiliar with the Ijara product and how to interpret the laws and regulations that apply to it. For example, the judge may interpret it as a sale in installments and the product out of its true nature, and the provisions become a kind of misunderstanding and legal. He stated that customers and banks are currently experiencing difficulties due to the lack of legal regulations on residential mortgage loans.

In the author's opinion, the bottom line is that these products have no legal coverage despite their straightforward legal suggestions, a regulatory framework required to help the judiciary make the judgments in light of the Sharia laws principles. He added that "some Islamic products have limitations; due to Islamic product agreements and regulatory provisions governing them, customers may need to refinance their mortgages if they default on products compared to non-regulatory

banks' traditional products. Although higher interest and refinancing fees are stricter by the courts under the defined regulations, there are no legal provisions for Islamic Sharia contracts compared to conventional banks. In this regard, the Islamic banks take any additional amount they do not enter the bank account but are donated, the Islamic banks face a loss in the opportunity cost of non-payment." Furthermore, due to the Islamic contracting conditions governing them, some Islamic products have constraints (Zarrouk, El Ghak & Al Haija, 2017). When traditional banks default, the customer reschedules the loan, increases interest, takes interest on interest, and other procedures, giving him more freedom than Islamic banks. The issue stems from the nature of the structure of the facilities they provide; they are constrained by contract and Islamic Sharia, which do not allow them to do what conventional banks do. For example, Murabaha contracts are fixed, and fixed-term buying and selling contracts, and no change is valid, even if Payment is delayed. Some important aspects are revealed in the following discourse. According to *Mr. Hani Sabri, Deputy Chairman of Ajman Bank*, "The biggest threat to Islamic banks is the lack of Sharia courts or specified courts for banks, whereas conventional banks have banking courts worldwide. To regulate and exercise Islamic products is becoming challenging for Islamic banks such as the Ajman Bank because the nature of the banks' contract is very different from conventional banks by all means, from lease to Ijara all financial transactions. The non-regulatory body is becoming challenging and becoming a big obstacle for Islamic banks." He added that he went to some sessions in ordinary courts and observed that it is difficult to prove the Islamic contract and its purpose. The Islamic banks are treated as traditional banks, far from the concept of Islamic banks and their objectives and purpose establishment.

On the other hand, Khan and Bhatti (2008) argued that banks faced a competition challenge because of a non-regulatory body and could not offer products to customers. Customers' delayed interest is sometimes calculated continuously in conventional banks but not in Islamic banks (Becket al., 2010). Unlike traditional banks, which adjust the value of premiums to compensate for any loss, Islamic banks do not change their premiums to compensate for losses incurred due to their rise. The following statement has added a new dimension to the continuation of this discussion. According to *Mr. Emad Jalil, In-Charge of Real Estate Finance at Ajman Bank*, "Traditional banks have one type of financing, and rules are clearly defined by the courts, compared to conventional banking, Islamic banks with multiple different products. Traditional banks only charge interest. On the other hand, the nature of Islamic contracts is different. Islamic banks are the owners of real estate. This is becoming a big problem for banks because of the lack of laws; Islamic banks become prone to customer problems when they do not want to complete contracts. Like Ajman banks, which have home finance products, Bank of Ajman cannot act as quickly as required to avoid losses. The client discusses at length to reach appropriate solutions, so the client is the beneficiary, and the bank is in a losing position. For these reasons, the courts must have access to appropriate and balanced solutions to these products." In addition, it is believed by the interviewee that there are practical problems related to the ability of the bank to find competent and experienced employees in the banking business. If the bank cannot attract the necessary banking staff, this may affect the bank's future growth and profits. It may be required for the bank to carefully consider the level of wages it pays its employees to the extent that they may affect operating expenses.

Finally, the bank may face problems with the product itself, as the products and services offered by the bank are relatively limited because they are subject to the Sharia oversight body. However, these risks are being mitigated, and demand for Islamic banking increases, leading to the development of more innovative products and services by industry actors to meet customer needs, eventually leading to a wide range of products offered by Islamic financial institutions. The support of a modern scholar has also enabled Islamic financial institutions to provide innovative new products. As with some traditional financial products, Islamic financial products' structure may include the financial institution providing a product by acquiring legal ownership of physical assets, for example, real estate, aircraft, or ships. On the other hand, the consumer is also reluctant to adopt Islamic products because there is no legal provision for Islamic banking. All products and contracts are devised to save the banks from losses; as *Mr. Yousef Abdullah* stated during his interview, the bank had put in place all the mechanisms through which it could protect itself from loss. However, the imminent danger facing Islamic banks and Islamic banking in general, and the housing finance products, is the lack of consumer and customer confidence in the role of Islamic banking institutions and Islamic banks and the extent of their adherence to Islamic principles and principles Sharia in their dealings.

During an interview with one of our clients, he mentioned further that “Islamic banks are resorting to being far from mature, but the conditions set by the Islamic Bank are numerous, and commercial riba banks are considered the best of Islamic banks’ terms of contracts and conditions. Compared to commercial banks, the percentage of profits is very high, while the fees charged by procedures in conventional banks are far higher than in Islamic banks.” Based on the above discussion, *Mr. Ahmed Hassan Ramadan Al Ali*, the lawyer and legal advisor of the Dubai Islamic Bank, confirmed that “Most of the problems in my view are the failure of the customer or consumer to abide by the terms of the contract because all types of products are contracts, and these problems show increased obligations and financial burdens on the client and stumble on Payment, so problems begin between the parties, and did not pass on a client throughout my career in the legal profession asking the court to cancel the contract of a financing product for reasons related to the contract, always be a breach of Payment by the client. These problems are resolved either amicably or through the judiciary.”

Issues Faced by Investors or Consumers of Islamic Mortgage Finance Products

According to *Fadel Rahim*, “*Ijarab*” or leased ownership has no inequity or problem in consumers’ terms. Lease ownership is an excellent contract in terms of consumer perspective because the bank may renew the lease contract every specified period if the contract is renewed. For this renewal, the bank will inform the client of the new contract’s value, as well as the value of his profits, in addition to the rental premiums. If the client disagrees, he has complete freedom to complete or cancel the contract, whereas, in traditional banks, the consumer does not have this option. The conventional bank shall determine the prices without prior notice to the customer, and the amount may increase or decrease without prior notice or based on the bank’s performance. In addition, In this point, *Mr. Juma Mohammed Ali*, consumer of Islamic residential real estate finance products (Dubai Islamic); in an interview, said that: “I do not know what the terms or conditions of the contract with the bank are, the papers are too many, and I cannot read them in full, I need a month to read them in detail, but I think they are legal and legitimate clauses and I do not know anything about them.” The interviewee stated that the problems encountered by customers might be due to banks not allowing the customer to read the entire contract and not providing enough time to read the entire contract, which was only provided at the time of signing, as he stated, “The bank did not allow me to make copies of the contracts to read and I was only allowed to see the contracts during the signing.” This exemplifies how Islamic bank products exploit consumers’ needs while they desperately need the product, which may be a lifeline for them and their families. Article 185 of the UAE Civil Transactions Law states that “The temptation is that one of the other contractors are subjected to fraudulent verbal or physical means that compel him to accept what he would not otherwise have accepted.” In article 187, the UAE legislator affirmed that “If one of the contractors is enticed to the other and it is realized that the contract has been made by an excessive unfairness, it is permissible for those who have been tempted to terminate the contract.”

According to the perspective of different authors and Islamic points of view, if someone is absent or forced to make a contract, they have the right to void the contract as mentioned by Imam Malik, Ibn Hazm al-Dhaheri, and Hanafi Swing and the Hanbalis. These have been inferred to the Almighty:

(يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ مِنْكُمْ وَلَا تَقْتُلُوا أَنْفُسَكُمْ إِنَّ اللَّهَ كَانَ بِكُمْ رَحِيمًا)

Issues Related to the Contracts

Problems with Price, Profit Rate, and Variable Rental Value

Customers may also have a problem with the rate of profit or rental value. Still, the percentage that changes in the rate is only the rate controlled by index (iPod real estate), which is determined by the Central Bank and cannot be increased or decreased, and the rate by nature is divided into three. The fixed rate of return, where part of the rental premium is for fixed-rate, and the variable rate of return, which has two parts: a fixed marginal rate of return that does not change over a specified period of time, and a variable rate of return that is attached to the Central Bank’s real estate KIBOR. Profit ratios can range from 2% to 3% based on daily indices on the Central Bank’s website. On the other hand, in the case of traditional banks, the rate of return varies depending on the premium, and the bank does not have a fixed rate. The last section is referred to as an additional rate of return, and Islamic banking does not provide any guidelines for a different rate of return. The following statement has added a new dimension to the continuation of this discussion.

During the interview with *Mr. Hani Al Saadi*, a consumer of Islamic residential mortgage finance from Ajman Bank and asked about the impact of the variable profit margin set by the Central Bank, he stated: “That he and many consumers who are committed to

paying monthly installments of the properties they bought based on a study on the history of the price of the iPod in the past years, for example, when I bought the property was equivalent to 0.9% and based on our study the highest level was 1.1%, the value of the premium. It would have increased between 200 or 300 Dirhams for the premium, or the same equation could reduce the premium, but unfortunately, the board today reached 2.8%. Hence, the difference in the monthly installment is 1200 Dirhams; if the authors calculate this amount on the duration of the loan, it becomes a considerable amount that was not expected or calculated when taking the financial product. When authors review the bank, they are not provided with the future of this financially and how much authors will pay.” “If the situation continues as it is or if the percentage specified by the Central Bank increases, authors will eventually lose 300,000 Dirhams or about a quarter of the total value of the financing,” he said. On the other hand, according to Ajman Bank’s official report, Islamic banks are distinguished in their businesses. However, the origin in their transactions is the participation of the client in profit and loss, which is welcome. If the bank is at a loss, the client shares this loss and vice versa. Meaning all of these things are determined by the scenario in which it occurs during the financing process. According to Ajman Bank Official report, “Islamic banks are clear with customers and want to attain more customers and achieve this success. Customers must accept Islamic banks, unlike traditional banks, no doubt the conventional banking sector is charging many hidden amounts, fees, and interest sought from them now. At the same time, consumers trust the Islamic banking sector because they tell them from the beginning what they are. Responsibilities, obligations, amounts due, and future changes remain fixed in the Islamic banking sector, for example, the change of Kibor is explained to the customer very clearly, as well as the changes that occur in the price of the premium because of it, for example also that if the construction is delayed in the rental described in the disclaimer, which begins the bank bears losses, delays, etc. Unlike other banks operating in the traditional system.”

These products cannot have any risk, inequality, or sufferers to customers. Still, on the contrary, these products are about the best that customers can get in their lives, especially when buying or building houses, which creates confusion for the products to consumers. Consumers increasingly require home financing. According to Ajman Bank officials, Islamic banks are distinguished in their transactions. However, the origin in their dealings is the participation of the customer in profit and loss, which is a good thing; if the bank is at a loss, the customer shares this loss. Suppose the bank is in a profit-making situation. In that case, the client will also earn a profit, which means everything is based upon profit, loss situation, or current market, which is the basic Islamic principle to earn profits. The interviewee further stated that the bank should provide the best products to customers so that both parties have no problems or issues. Accordingly, customers seeking this type of financing must understand the financing’s nature, conditions, and characteristics, make the first due Payment, and pay all installments on time and in the order agreed. They are also aware that these installments will last a long time. If customers know such products, they will have no trouble executing contracts. They will be able to enjoy the rest of the contract benefits and continue with the products and development, such as construction. They may also be benefited from banks if the price of the products rises. The Islamic ruling on the Ijarah, which ends with ownership at a fixed and variable fee, originates from two perspectives. The first statement; is that these types of transactions are new under the bodies of Islamic banks, and the fatwa issued by the 11th Baraka seminar, held in February 1996 in Jeddah. This fatwa says that “the rate of return obtained in the rent contract contained the period of the contract and the amount of premium which will be due instead of the contract for a certain period and linked with certain conditions is admissible.” The legal standard no. 9 of the Bahrain Islamic Financial Institutions Accounting and Audit Authority was also issued with the legality of this type of transaction by stating, “In the case of the nonfixed rate of return, the rate for the first period must be limited to a known amount. In the following periods, a disciplined indicator may be adopted.”

According to the opposing school of thought, these transactions are not legal under the Islamic perspective. In the Organization of the Islamic Conference, Sheikh Mukhtar al-Salami, Mufti of Tunisia, and a member of the Islamic Jurisprudence Council in Jeddah claim that the consumer will not know the amount of rent due in the future. Ignorance of the contract, and that the future rate or premium is likely to be too large this difference could be significant in number and the consumer will not be able to bear in the future and linking the value of products concerning the KIBOR rate will be more likely compared to traditional banking and finance. Hence, considering the authors’ interviews, there are contradictions between the consumer perspective from the actual state home finance and management or the official perspective of banking dealing with home finance products. The authors concluded that if banking products are linked to the Central Bank, it may affect the consumer repaying power. For example, if central banks’ rate increases, it may increase the premium paid for the property. In such cases, the consumer will default and will not repay the bank premiums, and the bank will withdraw the property leased from him because of his inability to pay. In the case of profit on investment, an employee of the bank confirms that profit remains unchanged.

From the above two perspectives, the author concludes that a second opinion is not permissible in the absence of Sharia laws

and regulations because the lease contract is unclear and can be terminated due to the high rate, which renders this contract ignorant and ambiguous.

Problems Related to Consumer Application Concerning House Finance

According to *Hani Sabri*, “One of the most important problems Islamic bank customers face in term house financing is the regulations. In case of default of solvency or default the bank, the consumer will have no regulatory coverage to file the lawsuit if the bank takes possession of the property. This problem is one of the major problems Islamic banking customers currently face regarding house financing products. To resolve this problem, the central banks took the initiative, which is why the Central Bank has reduced the upper mortgage limit because customers in the past take finance with very high financing upper limit so that they are higher than their financial capacity.” Several factors affect the capability of the Islamic house financing market in the UAE. One of the significant issues is that the population of the UAE is majority based on non-residents, not permanent citizens of the UAE. There are several traditional and Islamic financing products while providing the loan, such as a source of income, creditworthiness, and the number of loans financed by other banks to the same consumer. In case of default, the customer needs to fulfill his obligations towards the contract. Moreover, the banks should also validate the documents presented by the customer while applying for the loan; in particular, the banks have to verify the additional source of customers so that banks can see either customers can pay the premium amount in case of default not. The following statement has added a new dimension to the continuation of this discussion. According to *Mr. Fazal Rahim, Head of Shari’a Audit at Ajman Bank*, “In Ijarah – is the most common type of lease, authors are currently dealing - there are no practical problems, there are no inequality and harm to the consumer unless there is a defect in the practical application. He further added that there is no problem in implementing contracts only in case of default. In order to resolve the dispute, there are no Sharia regulations that need to be followed both by banks and the customer”. Another challenge that banks face, including the Bank of Ajman, is the valuation of residential mortgage products. He further added that the valuation process is done through a third party. The actual state price is different in different regions of the UAE, creating problems for both consumers and the banks if there is any price fluctuation in real state prices. If the price goes up, the banks may suffer from loss, and in another case, if the price goes down, the consumer will face losses. The author concluded that Sharia rules and regulations must be defined instead of these regulatory frameworks.

Revenue Problems

In referring to *Mr. Ibrahim Shal*, “The profit rate imposed by the Islamic Bank is one of the difficult things to deal with for consumers; however, these profit margins are sometimes greater than the interest rates imposed by conventional banks. Consumers will be a greater financial burden and difficulty repaying them in the future. If the profit percentage becomes larger than expected, it may affect the consumer market. Islamic Banks must consider this issue because there are many banks in competition in the real world.”

“The amount of profit is correlated with the contract duration between the bank and the consumer. If the period is long, the value of profits increases significantly to more than double the amount of financing. No doubt other economic factors may influence the issue, such as the recession as it was in 2008. Recession can affect the liquidity ratio of the banks, especially in realstate financing where banks in the past impose up to 9% of profit rate from 3% which was abnormal.”

The author believes that the root of the problem is the manipulation of Islamic banks to meet people’s needs in need of housing. The housing market is one of the most basic needs that everyone desires in their lives. The Islamic banking sector also benefits from monopoly because Sharia bids interest. Islamic scholars declared that exploiting people’s needs and selling goods at prices higher than their actual values is considered using people’s needs, which is not permissible under Islamic law. According to the Prophet (peace and blessings of Allah be upon him): “There is no monopoly except for a criminal.”

Administrative and Bureaucratic Problems

There is another issue that consumers of house financing are currently facing. These barriers can hinder their ability to move forward and perform the assigned duties. From the banks’ perspective, this administrative and bureaucratic problem may impede banks’ ability to achieve their desired goals and provide an efficient product to individuals. These issues are now posing a real challenge for banks. Clients dealing with Bank of Ajman have expressed dissatisfaction with administrative and compliance officers, accusing them of purposefully delaying their applications. He further explained, “Banks have a nice way to attract customers and convince them to buy their products through marketing. He explained that the first damage

suffered after the contracts' signing was the delay in completing the procedures. He mentioned after signing the contract that banks deliberately delayed the contract. He further explained his story, "bank promise to fulfill the contract within three weeks from the date of signing the contract. I moved my children to school near my new house". He stated that he did not renew his previous lease based on a bank promise. He claimed that the bank has been delaying for more than two months, forcing me to renew the lease and incur additional financial and moral losses. My family also suffers because my children must travel to their new schools from the rented house, and the transaction was completed after more than two months due to my repeated claims to the bank. The interviewee mentioned several problems related to this issue. He noted that up till November 2016, he could not get any contract from the banks; however, he sent several emails to the branch managers and provided additional documents required to them. Furthermore, even though he was given anything needed by the bank, a bank in another case could not provide any duplicate copy of the contract. The interviewee highlighted another problem, which was "since November 2016 till today, I did not receive the contracts for the house with my repeated and documented claims through emails, in addition, the documents that I signed in the bank have not been provided with any copies of it, and the bank provides excuses. Last but not least, despite my repeated claims to them, I was unable to obtain a copy of the house's ownership, which prompted me to review the government and local departments until I obtained a copy of the house's ownership, which is critical for parties. The registration fee is 2%; however, the fee for a mortgage is 0.05%."

It is believed that problems are mainly related to the mission and vision of financial institutions. In addition to these, financial institutions are key institutions on which everyone relies. Banks such as the Bank of Ajman's vision and values turn out to be "providing banking services of the highest quality for individuals and companies. With our strategy of targeting the rapidly expanding Shari'ah financial services market, Ajman Bank provides a wide range of value-driven banking services in the UAE for individual, business, and government clients, all in compliance with Shari'ah principles. Ajman Bank seeks out the market's best products, people, and technology to deliver what customers want, how they want it, delivering real value and recreating that human touch lost in modern banking." The author concluded that under article 282 of UAE consumer protections and Civil Laws, "All damages must be fulfilled by the party delaying the contract and causing another party suffering from any kind of loss."

Problems Related to Bank Staff

Today's institutions face numerous challenges when conducting business, both internally and externally. They adjust their policies to meet modern challenges to deal with the increasing pressure. It became necessary for businesses, such as banks, to strive for and achieve some competitive advantages to stay in business and consider resources. The human resource department is critical for any organization whose goals should be aligned with the organization's overall goals. Human resources can achieve the required competitive institution, and thus considered one of the essential resources of the institution, that these human resources are more skilled, efficient ability, knowledge, and commitment. In an interview with *Mr. Essam Eddin Anwar*, it was revealed that: One of the most important duties of Islamic banks is to hire the best employees, especially real estate finance, to have adequate experience in real estate. This is key to evaluating the product for the future because the bank is relying and financing the products on future realizations. Lack of skills, such as converting the foot into a square meter, can cause big trouble in the prospective evaluation of the product. Developers especially manipulate such employees in case of real State a sudden drop in the consumer price may cause the loss to the consumer. Hiring and training competitive human resources is key for any financial institution. One of the famous developers, *Mr. Mohamed Mubarak*, pointed out: The employees of Islamic banks must be trained and aware of Islamic products. What are the basic terms and conditions to effectively comply with the provisions of Sharia? Unfortunately, most bank employees work in their non-real competence. The developer observes that most of the staff cannot evaluate the basic terms of the primary financial products of Ajman Bank.

Mr. Hani Al-Saadi addressed this problem by saying as "The employees of Islamic banks must understand the Islamic products offered by the bank, and keeping certain things does not relieve them of the responsibility of being forbidden, because these transactions affect the most important thing on earth: Islamic religion and belief. That the employee undergoes real tests in terms of education and faith, Sayyidina Omar ibn al-Khattab may Allah be pleased with him (not sold in our market only who may understand in religion)". *He further adds that* "Islamic bank employees must understand the Islamic products provided by them to deal with Islamic products and create an Islamic-based conventional products bank of Ajman is trying to train its employees. It will enhance making contracts with customers and per Sharia law." The author believes that this problem is one of the most significant problems and issues that Islamic banks should consider; Islamic banks, Ajman Bank, and inefficient employees in Islamic banking may create many problems for banks, leading to serious legal issues for banks. All products related to Islamic home finance must be exercised and regulated under Sharia law. Following the UAE

home mortgage law, all transactions must be deemed to be transparent. The seller must have information about the buyers, and the buyers must have product and ownership information. In the Bank of Ajman's case, the bank is liable for the actions of its employees, and any harm done to customers must be compensated for by the bank's owners. However, the bank's role in overcoming the obstacles and problems that consumers of Islamic finance products face is debatable; the authors will investigate this further. The Bank's and Central Bank's role in overcoming obstacles and problems facing consumers of Islamic home finance products.

Facilitation of Payment in Case of default

There are many ways to facilitate Payment and make it easier for bank customers—for example, rescheduling or providing additional guarantees. The bank can do many things before getting the customer into trouble or incurring additional debts. In our interview with Mr. Hani Sabri, Vice President, Head of Investment Department, Responsible for Real Estate Finance, Ajman Bank, His Excellency pointed out that “Sometimes in my bank and some other banks, there is a discussion and dialogue with the client to reach an agreement that satisfies the parties. For example, if there is a customer who is late in Payment. After discussion, the authors came to know that the reasons for the high delay premium which or she cannot pay, so the authors arranged a settlement where both parties can be satisfied rather than taking lawsuits against each and other” In this way, customers get a sufficient space and time leverage through which he or she can pay. He further added that the bank only takes action against specific customers who have failed to pay through all means and discussions. In some cases, the customer believes banks intentionally fail to fulfill the agreed-upon contract to maximize profit. Under the supervision of the Central Governing Bank Authority, our bank has the Authority to revise the home finance mortgage contract at any time for such customers.

Create a Special Unit to Help Affected Customers

Mr. Emad Jalil, Head of Project Management Office, CEO's Office, Ajman Bank, noted: A special department has been set up to help affected customers with residential mortgage products to solve customer problems. This department works under the direction of the Central Bank. This unit operates under the OFFICE of the Chief Executive Officer. Any problem or complaint received for this unit reaches directly to the Office of the Chief Executive Officer. It helps us resolve the complaint efficiently and effectively in no matter of time. Moreover, this unit also helps us understand the reason for the complaint and take action to resolve it. On the other hand, the authors interviewed a consumer of Bank Ajman. The authors explained that “I have been suffering from losses since I have applied for the home mortgage finance. I have sent many emails, I have also sent scanned copies of my paid amount, but up to date, nothing was solved. This special unit could not help me out in a particular situation”. The author investigated that there should be a proper system through which both customers and the bank can negotiate under the law and central Sharia board authority. During his interview, another customer shares a story: “I was charged double compared to my original house finance amount. I was a victim of employee negligence who wrongly calculated my mortgage amount and extended the period of finance. It was a huge loss for me, and I had to pay double the amount of my mortgage. I cannot pay this amount.”

Standard on Non-Payment

In an interview with Mr. Emad Jalil, Head of Project Management Office, Office of the Chief Executive Officer of Ajman Bank, he says: “The Bank has different committees in developing curricula and standards to study unfair losses. This department aims to be fair among people in customers and the bank. Authors also have a bank law department looking into law suites in different law enforcement agencies like police, labor department, and national home finance department. This department helps us build strong relationships among the customers and employees and different law enforcement departments. He further stated that it is useful to you that Ajman Islamic Bank tries to avoid all problems before they occur. If somehow it happens, it works to overcome them and solve them by consensus between the bank and the client through specialized committees and competent employees. Everyone works under Sharia's rules and regulations. The bottom line of this paper is that all the above respondents confirmed that “The proposals to improve the current Islamic finance products provided by Islamic banks in the UAE are 1. there is a law for real estate finance in general in the country issued by the Central Bank, and this is a law that prevails in all types of financing, but for the products of Islamic residential real estate finance, it is difficult to issue a detailed law for each product separately from the central bank, because the central bank is far from these matters and stubborn, and the central bank does not interfere in the work of banks significantly because the central bank does not take responsibility for any problems and crises that the bank can be exposed to In the future, as a result of a law specifying the way they work or the products of their choice, banks are informed of their needs and market needs because of their study of

the market situation in detail and ongoing, most housing finances are through the government. As everyone knows that banks care about their financial interests above all, there is disagreement, so it is difficult for the central bank to intervene directly to determine their business or products that they use, especially Islamic finance products because the degree of risk in these products is higher than that of traditional products. Even if the property is mortgaged for the benefit of the bank, these banks sometimes cannot implement on these properties because the law protects the only residential properties of the family, it is considered a formal mortgage that the bank does not benefit from, the income from which the bank deducts its installments is usually from the monthly salary. If this salary is cut, the problem worsens.

2. I consider that the recent decision of the Central Bank to abide by Islamic banks to the standards of the Organization of Ayovi is sufficient at the moment, and if these banks wish to create new products, they will be presented to the Supreme Shariah Authority and approved if they are in accordance with Islamic law. 3. I believe that this is enough, and if more decisions are made or more laws are passed, it will become unfair intervention by the central bank, and in the near future, there will be a solution to the problem of early Payment, which can be solved in a series of terms.”

4. Conclusion

This paper has highlighted existing challenges concerning adjudication of Islamic finance at Ajman Bank in the UAE. Several factors, including the legal infrastructure, put Islamic finance in a questionable situation that needs immediate attention to resolve. The discussion in this paper is based on interview data that reveals that some conceptual understandings of Islamic banking are not well implemented and secured currently in the bank in terms of residential financing. The current approach is debatable from the perspective of administration of justice, different roles played by various components of Islamic finance, other laws governing the various elements of Islamic finance, confusion caused by the building blocks of the legal documentation, and the question as to the competency of civil court judges in adjudicating Islamic finance cases. Therefore, it is suggested that future research focuses on building up recommendations to address these mentioned challenges.

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Appendix 1

Background Information of the Research Respondent

No.	Name	Particular
1.	Emad Jalil	Head of Project Management Office, of Ajman Bank
2.	Juma Mohammed Ali	Consumer, Residential Islamic Finance Products (Dubai Islamic)
4.	Abdulaziz Saud Al-Muala	Official in-Charge, Emirates Central Bank
5	Ahmed Mohammed Al-Rumaithi	Aconsumer of residential Islamic finance products
6	Dr.Ibrahim Al Shall	Member of the National Authority for Oversight and Fatwa, Supreme Shariah Authority, Central Bank of the United Arab Emirates
7	Hani Sabri	Deputy Chairman of Ajman Bank
8	Yousef Abdullah	consumer of the end-of-ownership rental product, a governmentemployee
9	Hani Al Saadi	A consumer of Islamic residential mortgage finance from Ajman Bank
10	Essam Eddin Anwar	Official of the National Center for Real Estate Development andformerly Atlantis Real Estate
11	Mohammed Mubarak Sheikh	Owner of the National Real EstateInvestment Center Company

The statistics of Islamic residential real estate finance products were requested, and the response was that this is internal information of the Central Bank that cannot be shared from the principle of confidentiality.