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Recovery of Investor's Fund and Profit through Mediation and Conciliation





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Background:

A financial claim was filed by Investor (our client) against Company B (defendant) demanding payment of the invested money and profit which was based on a finance agreement entered into by and between our client and the Defendant. The Defendant breached his contractual obligations as per the finance agreement.

Summary:

The Defendant informed our client that if he invests as much as USD 1,000,000 in palms cultivation, it could generate profit approximately ranging between USD 350,000-400,000. (Three Hundred Fifty Thousand to Four Hundred Thousand). On such defendant's representation and promises our client entered into a finance agreement with the Defendant. But the defendant ultimately failed to return the principal as well the profits to our client. Following that, our client approached us to support in recovery of the amount by filing a lawsuit which was finally settled and recovered through alternative disputes resolution in reconciliation session between the two parties.

Details:

Our client had financed the defendant with USD 1,000,000 based on the representation that the defendant would invest in palms cultivation in the Kingdom of Saudi Arabia and will return our client the invested amount along with profits as agreed in the finance agreement. However, the Defendant failed to repay the said amount.

We filed a lawsuit and following the first hearing, we pressed the defendant to settle the debt since we had legally enforceable agreement in place to the Court. Out of fear from the legal dispute and further legal consequences which cannot not be averted, the Defendant requested to conclude an agreement to settle the dispute amicably by holding a reconciliation session with our client and subject that the Defendant would pay the claimant as much as SAR 3,625,500 (Three Million Six hundred Twenty Five Thousand and Five Hundred)– as an alternate solution, to which our client agreed, and accepted to collect the said amount from the Defendant.

As such, a reconciliation session was held, during which the two parties willingly satisfied on the settlement and our client also opted for amicable reconciliation rather than proceeding through the court, based on which the court decided upon the case.

Court Ruling:

Commercial Circuit No 12 of the Commercial Court in Riyadh came up with a judgment ordering the Defendant to pay off the amount it offered our client with which our client satisfied (SAR 3,625,500).

The court has based its ruling on the mutual agreement made by the two parties to the case, who agreed, at their own will and choice, to settle the case in an amicable manner. From Islamic Sharia perspective, the court based its ruling on the following Islamic texts:

- 1- Allah, the almighty, said in the holy Quran: “And, settlement (reconciliation) is best”
- 2-Allah, the almighty, said in the holy Quran: “No good is there in much of their private conversation, except for those who enjoin charity or that which is right or conciliation between people.”
- 3- Prophet Muhammad, PBUH, said in Hadith (prophetic saying): “reconciliation is permissible among the Muslims, except for reconciliation that makes the lawful unlawful and the unlawful lawful.”
- 4-Umar Ibn Al Khattab, May Allah be pleased with him, was narrated as he wrote to Abu Musa Al- ASharia, May Allah be pleased with him, representing the same.

Ruling date:2019

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