

INHERITANCE DISPUTES OVER ASSETS STILL UNDER DEBT COLLATERAL STATUS FROM AN ISLAMIC LAW PERSPECTIVE



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Abstract

Inheritance disputes involving assets under debt collateral status present unique challenges in the context of Islamic law, where debt repayment takes precedence over the distribution of inheritance. In Islamic banking, assets pledged as collateral (marhun) are considered the debtor's property but remain under the creditor's claim until the associated debt is fully paid. This creates legal and ethical complexities when the debtor passes away, as the heirs' right to inheritance may conflict with the creditor's right to the pledged asset. This study examines these disputes from an Islamic law perspective, focusing on the balance between fulfilling financial obligations and ensuring justice for heirs. The research analyzes relevant principles in Islamic inheritance law, including the prioritization of debt repayment and the distribution of remaining assets to heirs. It also evaluates the regulatory framework of Islamic banking, which often introduces contractual obligations affecting inheritance claims. Case studies are used to illustrate practical scenarios and highlight potential conflicts between creditors and heirs. The findings reveal that the resolution of such disputes requires a harmonization of traditional Islamic jurisprudence with contemporary banking practices. Proposed solutions include transparent debt documentation, equitable mechanisms for settling debts from the estate, and clear guidelines for managing collateralized assets in inheritance cases. By addressing these issues, this study contributes to the development of legal frameworks that uphold sharia principles, ensuring justice and fairness for all parties while maintaining the integrity of financial transactions and inheritance systems.

Abstrak

Sengketa waris yang melibatkan aset yang masih berstatus jaminan utang menghadirkan tantangan unik dalam konteks hukum Islam, di mana pelunasan utang memiliki prioritas dibandingkan pembagian warisan. Dalam perbankan syariah, aset yang dijaminkan (*marhun*) dianggap sebagai milik debitur tetapi tetap berada dalam klaim kreditur hingga utang terkait dilunasi sepenuhnya. Hal ini menciptakan kompleksitas hukum dan etika ketika debitur meninggal dunia, karena hak ahli waris atas harta warisan dapat bertentangan dengan hak kreditur atas aset yang dijaminkan. Penelitian ini mengkaji sengketa tersebut dari perspektif hukum Islam, dengan fokus pada keseimbangan antara pemenuhan kewajiban finansial dan keadilan bagi ahli waris. Penelitian ini menganalisis prinsip-prinsip yang relevan dalam hukum waris Islam, termasuk prioritas pelunasan utang dan pembagian sisa harta kepada ahli waris. Selain itu, penelitian ini juga mengevaluasi kerangka regulasi perbankan syariah, yang sering kali memperkenalkan kewajiban kontraktual yang memengaruhi klaim warisan. Studi kasus digunakan untuk menggambarkan skenario praktis dan menyoroti potensi konflik antara kreditur dan ahli waris. Hasil penelitian menunjukkan bahwa penyelesaian sengketa semacam ini membutuhkan harmonisasi antara yurisprudensi Islam tradisional dan praktik perbankan kontemporer. Solusi yang diusulkan mencakup dokumentasi utang yang transparan, mekanisme yang adil untuk pelunasan utang dari harta warisan, serta pedoman yang jelas untuk mengelola aset yang dijaminkan dalam kasus warisan. Dengan membahas isu-isu ini, penelitian ini berkontribusi pada pengembangan kerangka hukum yang



sesuai dengan prinsip syariah, memastikan keadilan bagi semua pihak, serta menjaga integritas transaksi keuangan dan sistem waris.

INTRODUCTION

Inheritance disputes often emerge as a significant legal and social challenge, particularly when the deceased's assets are still tied to debt collateral. Such situations introduce a layer of complexity to the inheritance process, as they intertwine the legal ownership of assets with existing financial obligations. This duality poses critical questions about the rights of heirs and creditors, requiring meticulous attention to ensure equitable solutions (Yuni & Murjani, 2020). For instance, when an asset that is under debt collateral constitutes a major portion of the estate, it complicates the immediate division of inheritance, often leaving heirs in uncertainty (Bencheikh & Taktak, 2019). This complexity is further compounded by emotional and familial tensions, as disputes over property allocation and debt responsibilities can lead to long – standing conflicts. The resolution of such disputes is not merely a matter of legal adjudication but also of upholding justice and preserving family harmony (Chang & Chuan, 2024). Therefore, understanding the mechanisms to address these disputes becomes imperative, not only to safeguard the interests of all parties involved but also to maintain adherence to ethical and religious obligations.

The issue of inheritance disputes over collateralized assets introduces nuanced dilemmas that demand careful jurisprudential and practical consideration (Onori, 2018). Islamic inheritance law is grounded in principles of fairness, ensuring that the rights of heirs are respected while also prioritizing the settlement of debts as a religious obligation (Barthñłmy et al., 2017). However, the interplay between these principles can create challenges, particularly when collateralized assets constrain the immediate distribution of the estate. For instance, Islamic law mandates that debts must be settled before the division of inheritance, but determining the extent of debt obligations against the value of collateral can lead to disputes among heirs and creditors. Additionally, modern financial practices, such as mortgages and other secured loans, have introduced complexities not explicitly addressed in classical Islamic jurisprudence (Hasballah et al., 2023). These evolving scenarios necessitate a critical analysis to align contemporary financial obligations with Islamic legal frameworks, ensuring that justice is served without compromising the rights of either creditors or heirs. Such an examination is essential to bridge the gap between traditional Islamic principles and the practical realities of inheritance disputes in today's financial systems.

The primary challenge in inheritance disputes involving collateralized assets revolves around the intricate task of balancing the rights of creditors and heirs (Neri & Notarpietro, 2019). This balance is crucial because Islamic law emphasizes the obligation to settle the debts of the deceased as a priority before distributing the inheritance among the heirs (Andreetta, 2020). However, this straightforward principle becomes complex when the assets in question are tied to collateral agreements with financial institutions or private creditors. Heirs often face dilemmas regarding whether they are collectively responsible for settling the debt before inheritance distribution or if the collateral itself can be liquidated to meet these obligations. Such scenarios may lead to disagreements among heirs, particularly if the collateralized assets form a significant or sentimental part of the estate, such as family homes or businesses (Haji munir, 2022). Moreover, these disputes are further complicated by the intersection of modern financial practices, which frequently involve legally binding contracts that may not align seamlessly with traditional Islamic inheritance rules. Thus, understanding the implications of these contracts and their reconciliation with Islamic legal principles requires a nuanced and in – depth analysis.

This study delves into the resolution of inheritance disputes over debt – collateralized assets from the perspective of Islamic law, aiming to bridge the gap between classical jurisprudence and contemporary legal realities. By examining the theoretical underpinnings of Islamic inheritance law, jurisprudential opinions across various schools of thought, and practical case studies, the research seeks to uncover viable solutions that

are both legally sound and ethically just. The analysis explores how Islamic law prioritizes debt repayment while simultaneously protecting the rights of heirs, offering insights into how these principles can be applied to modern financial arrangements. Additionally, the study identifies potential areas where Islamic legal frameworks can adapt to address challenges posed by evolving financial practices, such as secured loans and mortgages. Through this approach, the research aims to provide a comprehensive understanding of the legal, ethical, and practical dimensions of these disputes, ultimately contributing to the development of policies and strategies that uphold Islamic values while accommodating contemporary financial systems.

METHOD

This study employs a qualitative approach with a descriptive – analytical method to delve into inheritance disputes involving assets still under debt collateral status from an Islamic law perspective. A normative approach is applied by analyzing the foundational principles of Islamic inheritance law, including the prioritization of debt repayment before the distribution of inheritance, based on primary sources such as the Qur'an, hadith, classical Islamic jurisprudence texts, and regulations governing Islamic banking. Meanwhile, an empirical approach is undertaken through the collection of both primary and secondary data to gain an in – depth understanding of this issue. Primary data are obtained through in – depth interviews with various informants, including Islamic law scholars, Islamic banking practitioners, and heirs directly involved in disputes concerning collateralized assets. These interviews aim to explore practical experiences and expert opinions on resolving conflicts between the rights of heirs and creditors. Additionally, secondary data from academic literature, legal journals, banking documents, and court decisions are collected to enrich the analysis. These secondary data provide not only theoretical insights but also historical and comparative perspectives on the application of Islamic law in resolving such disputes. Case studies of actual disputes in the field are utilized to offer concrete illustrations of emerging challenges, such as conflicts between creditors' claims on pledged assets and heirs' inheritance rights. This approach enables the study to explore and understand the complexities of Islamic law and Islamic banking practices relevant to inheritance disputes and to propose solutions that can be applied fairly in accordance with sharia principles.

The data analysis technique employs a thematic approach, beginning with data reduction to filter relevant information based on key themes such as debt repayment, heirs' rights, and creditors' claims over collateralized assets. The reduced data are then presented in a systematic descriptive narrative to illustrate the relationship between Islamic inheritance law concepts, Islamic banking regulations, and dispute resolution practices in the field. This narrative not only outlines normative principles but also includes pragmatic aspects of regulatory implementation in disputes involving heirs, creditors, and Islamic banking institutions. The analysis is directed toward harmonizing traditional Islamic jurisprudence with contemporary banking practices, given the complexities arising in inheritance cases involving collateralized assets. One of the primary recommendations is the importance of transparent debt documentation to minimize potential disputes and the development of fair mechanisms for dispute resolution for all parties. This study also proposes clearer guidelines for managing collateralized assets in inheritance contexts, such as prioritizing debt repayment from pledged assets before distribution to heirs. Additionally, the study emphasizes the importance of educating the public about inheritance law and Islamic banking regulations to ensure compliance with the principles of Islamic justice. Thus, this research is expected to provide significant contributions to the development of a legal framework that is not only theoretically relevant but also practically applicable while accommodating the needs of society and the advancements of modern Islamic banking systems.

RESULT AND DISCUSSION

a. Basic Principles in Islamic Law related to Debt Settlement and Inheritance

The settlement of debts takes precedence over the distribution of inheritance, as clearly reflected in a hadith of the Prophet Muhammad SAW which states, "The soul of a Muslim is suspended due to his debt until it is paid off." This hadith emphasizes the obligation to settle debts first before any inheritance is distributed to heirs. In this context, Islamic law places the resolution of debts as the first step to be fulfilled after a person's death (Kaban & Sitepu, 2017). All financial obligations, whether in the form of personal debts, zakat, funeral expenses, or other dues, must be settled first. Only after these obligations are fulfilled can the inheritance be distributed, with heirs entitled to the remaining assets after all financial obligations are met (Syaikhu, 2019). This reflects the principle of justice in Islamic law, where creditors' rights must be fully respected, while the legitimate rights of heirs are also safeguarded according to the provisions found in the Quran and hadith. In practice, this means that even if the inheritance is large, the heirs cannot receive their share until all financial obligations left by the deceased have been settled. This principle not only demonstrates fairness to the creditors but also emphasizes responsible and prudent management of wealth, avoiding potential conflicts that may arise if debts are ignored in the inheritance distribution process.

In real – life situations, this becomes increasingly complicated when the assets to be inherited are tied up as collateral for unsatisfied debts. Many cases arise where an individual has pledged property or valuable items as collateral for a loan from a financial institution or other third parties (Pelizzon et al., 2024). In such instances, the asset pledged remains under the creditor's control until the related debt is fully paid off. This creates a significant dilemma for the heirs, as they face the question of whether they are entitled to inherit such collateralized assets or whether they must wait until the debt tied to them is settled. Even if most of the inheritance has been pledged to pay off the debt, heirs still have the right to their share once the debt is settled (Mujere, 2014). But what happens when the asset is already used as collateral? In this case, should the heirs use other assets to pay off the debt first before receiving their inheritance, or do they have the right to their share after the debt related to the collateral is paid, even though most of the assets are encumbered by financial obligations? To answer these questions, a careful and thoughtful approach is needed to balance the principles of Islamic law, which prioritize debt settlement, with the legitimate rights of heirs. Additionally, contemporary financial conditions, where more individuals are dealing with assets tied to debt collateral, must be considered. This requires a flexible and responsive legal interpretation that adapts to modern financial dynamics. A comprehensive approach in line with Islamic principles must balance the rights of creditors and heirs, ensuring that every decision reflects justice and protects the interests of all parties involved.

Assets that are encumbered by collateral for debt repayment can significantly complicate the distribution of inheritance. When an individual pledges assets, such as property or valuable items, to secure a debt, these assets remain under the control of the creditor until the debt is fully settled. This situation creates a potential challenge for heirs, as they may not have immediate access to certain parts of the inheritance if those assets are tied up in loan obligations. The priority of debt repayment in Islamic law dictates that creditors' rights must be satisfied first, even before heirs can receive their entitled share of the inheritance (Regev – Messalem, 2020). Therefore, before distributing the estate, all financial obligations, including debts, zakat, funeral costs, and any other outstanding dues, must be settled. This approach ensures that the deceased's debts are honored and that the creditors are not left without compensation. However, if the debts are substantial and the assets in question are crucial to the inheritance, it can leave heirs in a difficult position. They must either wait for the debt to be paid off or consider other means of settling the outstanding obligations. In this scenario, the division of inheritance is not straightforward and can lead to disputes among heirs, especially if the value of the estate is insufficient to cover all debts. The situation requires careful deliberation to maintain

fairness and prevent conflicts, highlighting the importance of understanding the legal complexities surrounding debt and inheritance in Islamic law.

In Islamic jurisprudence, different schools of thought (mazhab) have varying approaches regarding the priority between debt repayment and the distribution of inheritance, which can further complicate the resolution of inheritance disputes. The major schools—Hanafi, Maliki, Shafi'i, and Hanbali—each offer different perspectives on how debts should be handled in relation to inheritance. For instance, some schools prioritize settling debts as an absolute requirement before anything else, while others may allow for more flexibility in cases where the estate can cover both debts and inheritance obligations simultaneously (Ahn, 2021). This divergence in legal interpretations affects how the rights of both creditors and heirs are addressed in practice. In cases where debts are large and the estate is insufficient, the heirs may face challenges in claiming their share of the inheritance, as the assets must first be used to satisfy the debts. Understanding these differences is crucial when resolving inheritance disputes, as it helps clarify the legal basis for decisions regarding the division of estate, especially when assets are tied up as collateral for debts. By considering the principles and rulings of each school of thought, a more equitable and informed solution can be reached, ensuring that the rights of both creditors and heirs are protected according to Islamic law. This comprehensive understanding is vital in navigating the complexities of inheritance law in a way that promotes fairness and justice.

b. Asset Status in Debt Collateral in Islamic Law Review

In Islamic law, assets pledged as collateral for debt are referred to as "marhun." These assets, while still part of the deceased's estate, do not fully transfer to the heirs until the debt associated with them is paid off. The concept of marhun introduces a significant challenge in the inheritance process, as it complicates the distribution of assets. This is because the rights to these assets are temporarily held by the creditor until the outstanding debt is settled (Huda et al., 2024). Understanding the status of marhun is crucial for determining the heirs' rights to the inheritance. In this context, the heirs cannot claim ownership or control of the pledged asset unless the debt tied to it is fully resolved. The law ensures that the creditor's right to the asset is upheld, making it a priority to satisfy the financial obligations before the distribution of the remaining estate. Therefore, the heirs must first account for any debts and ensure they are settled in accordance with Islamic law before they can claim their share of the inheritance. If the debt is substantial and the asset tied to it is vital to the estate, it can create disputes and delays in the inheritance process, requiring careful consideration of how these assets are to be handled within the legal framework.

The creditor holds the right to claim the pledged asset, as it serves as security for the outstanding debt (Pape & Rommerskirchen, 2024). This creates a complex situation in inheritance cases when heirs attempt to claim their rightful portion of the estate, only to find that some assets are still tied to debts (Tedla & Mekonen, 2023). The creditor's right to seize the asset for debt repayment takes precedence over the heirs' claim to the inheritance. This legal priority can cause significant tension, especially if the asset in question constitutes a major portion of the estate or holds sentimental value to the heirs. For example, if a property or other valuable asset has been pledged as collateral, the heirs may be left with limited or no access to that asset until the debt is cleared. This becomes an even greater issue if the estate's total value is insufficient to cover the outstanding debts, leading to further complications in the division of inheritance. In such cases, the heirs may need to explore options for repaying the debt using other assets from the estate or seek legal means to resolve the conflict. Navigating these situations requires a deep understanding of both the creditor's rights and the heirs' entitlements, and how they intersect with the principles of justice and fairness outlined in Islamic inheritance law. The delicate balance between honoring the creditor's claims and protecting the heirs' rights requires careful legal and ethical consideration to ensure a just resolution.

A comprehensive legal analysis rooted in Islamic law is crucial for addressing potential conflicts between heirs and creditors, particularly in cases where the deceased's

assets are pledged as collateral for outstanding debts. Islamic law prioritizes the settlement of debts before the distribution of inheritance, ensuring that creditors' rights are protected and that the estate is used to fulfill financial obligations first. This principle can lead to disputes when heirs seek to claim their share of the inheritance, only to find that some assets are still encumbered by debt. These conflicts are especially complicated when the asset in question is vital to the estate and represents a substantial portion of the inheritance. The creditor, holding the right to the pledged asset (*marhun*), may have legal grounds to retain or liquidate it until the debt is paid, which creates tension with the heirs, who may feel deprived of their rightful inheritance. Resolving these disputes requires a delicate and thorough understanding of Islamic jurisprudence, which provides guidance on how to balance the creditors' claims with the heirs' entitlements. Islamic law offers a framework for addressing such conflicts by establishing clear priorities in debt repayment, but the implementation of these principles requires a nuanced approach that considers the specific facts of each case, including the size of the debt, the value of the estate, and the rights of all involved parties. The analysis should ensure that both creditors and heirs are treated fairly, with due regard for their respective rights and responsibilities.

In practical terms, the resolution of inheritance disputes involving pledged assets requires a fair and transparent process that upholds Islamic legal principles (Tunc & Yavas, 2017). When heirs and creditors clash over the ownership of an asset tied to a debt, the situation can quickly escalate, especially if the asset holds sentimental or substantial financial value. The heirs may feel entitled to inherit the asset, while the creditor, who is legally entitled to the asset until the debt is settled, seeks to protect their interests. This creates a complex scenario where the division of the estate is delayed, and both parties may feel their rights are being compromised. To resolve such disputes, it is essential to follow a clear, just approach that respects the creditor's right to repayment while ensuring that the heirs receive what is rightfully theirs after the debt is settled. Islamic law requires the settlement of debts before the estate can be distributed, but the manner in which this is implemented must be equitable and take into account the circumstances surrounding the debt and the value of the assets involved. Furthermore, the heirs should be made aware of the priority of debt repayment, which may require them to settle the debts from other sources before claiming their share of the estate. Ultimately, the goal should be to reach a resolution that aligns with the principles of justice and fairness in Islamic law, ensuring that both the creditor's rights and the heirs' entitlements are honored without further conflict.

c. Harmonizing Islamic Inheritance Law and Islamic Banking Regulations in the Context of Collateralized Assets

Islamic banking regulates the loan system with collateral according to Islamic principles. This raises questions about how assets pledged in Islamic banking can be applied in the context of inheritance (Shi, 2022). In the Islamic banking system, many assets are used as collateral, which adds complexity to the inheritance division process. The distribution of assets tied to collateral requires alignment between Islamic law and the regulations of Islamic banking. In the Islamic banking system, transactions must adhere to Islamic principles, ensuring that they are free from interest (*riba*), uncertainty (*gharar*), and gambling (*maysir*). One common product in Islamic banking is financing with collateral, where assets are pledged to repay a loan. However, the existence of collateralized assets creates issues when it comes to inheritance, especially if these assets are still tied to an outstanding loan. In the context of inheritance, the issue arises concerning the heirs' rights to assets that have been pledged, as Islamic principles state that creditors have the right to claim these assets until the debt is paid. On the other hand, Islamic inheritance law prioritizes the settlement of debts before distributing the estate, which creates potential conflicts between the heirs' rights and the creditors' claims. This requires an in – depth analysis of how the rights involved, both related to inheritance and financial obligations, can be reconciled with Islamic banking regulations to ensure that no party is unfairly disadvantaged, and the principles of justice are upheld.

The complexity of inheritance distribution increases when the assets pledged as collateral are still tied to an unpaid loan. This process not only involves understanding Islamic inheritance law but also the regulations governing Islamic banking, which are stricter in ensuring that every transaction adheres to sharia guidelines. In Islamic banking, collateral agreements often involve clauses that require the asset to remain with the creditor or be sold to cover the debt if payment defaults occur. This complicates matters for heirs who are entitled to a share of the estate, as they must wait until the debt is settled before inheriting these assets (Beutler & Grobřity, 2019). In this case, an approach that accommodates both Islamic banking principles and Islamic inheritance law in a balanced manner is necessary. One solution is ensuring that heirs receive their rights from assets that are not tied to debts or, if assets bound by debt are part of the inheritance, the obligation to repay the loan must first be fulfilled from the remaining estate. This process requires transparency in recording debt obligations and an equitable resolution mechanism to ensure that both the heirs' and creditors' rights are met in accordance with the sharia principles that prioritize justice and financial sustainability.

Cases involving collateralized assets in Islamic banking often present significant legal challenges, particularly when third parties, such as the banks, are involved. The role of the bank as a creditor adds an additional layer of complexity to inheritance disputes. In Islamic law, assets that are pledged as collateral, known as *marhun*, are considered the property of the debtor until the associated debt is paid off. This creates a potential conflict when the debtor passes away, and the heirs are entitled to inherit the remaining assets, but the collateralized assets are still under the bank's claim. The challenge lies in determining how to balance the creditors' right to claim the asset against the heirs' right to their share of the inheritance (Lin, 2016). If the debt remains unpaid at the time of death, the creditor has a legitimate claim on the pledged asset, which could delay or even prevent heirs from receiving their inheritance. In this context, Islamic law must provide clear mechanisms for addressing such conflicts, ensuring that creditors' rights are respected without infringing upon the rightful inheritance of heirs. Furthermore, this issue needs to be regulated within Islamic jurisprudence to avoid any potential injustice, ensuring that all parties involved are treated equitably in accordance with sharia principles.

The resolution of inheritance disputes involving collateralized assets in Islamic banking necessitates a careful integration of both traditional Islamic law and contemporary financial practices (Niemann & Pichler, 2017). Modern Islamic banking products, such as loans with collateral, have become increasingly complex and involve various forms of financial guarantees that may not have been foreseen in traditional Islamic jurisprudence. When an asset is pledged as collateral, the creditor's right to claim it in case of non-payment can conflict with the inheritance rights of the deceased's heirs, especially if the collateral is the principal asset of the estate (Schmitt-Grohř & Uribe, 2021). Thus, it is essential to adapt Islamic law to address the evolving nature of financial transactions, ensuring that the distribution of assets after death aligns with both the principles of Islamic inheritance law and the practicalities of contemporary banking systems (Lin, 2016). In particular, Islamic law must clarify the priority of settling debts before distributing inheritance and provide guidelines on how to deal with collateralized assets, ensuring a fair and transparent resolution of conflicts. This could involve establishing a system that allows heirs to claim their rightful share of the estate after the debts are cleared or arranging for the sale of pledged assets to satisfy outstanding loans, with the remaining balance then distributed according to inheritance laws. Ultimately, such adjustments to Islamic legal frameworks will help maintain a balance between the creditors' and heirs' rights, promoting fairness and justice while ensuring the integrity of financial transactions.

d. Settlement of Inheritance Dispute with Debt Collateral Assets

Mediation can serve as a primary solution in resolving inheritance disputes involving collateralized assets. This process allows the disputing parties to reach an agreement without the need for lengthy and expensive litigation. In the context of Islamic law,

mediation offers a more efficient approach, as it provides an opportunity for the parties involved, including heirs and creditors, to discuss their concerns and negotiate a fair resolution (Giambona et al., 2014). The involvement of a competent third party, such as a mediator well-versed in Islamic jurisprudence, plays a crucial role in balancing the heirs' rights to inherit and the creditors' claims on collateralized assets. Mediation helps ensure that both the obligations of settling debts and the rightful claims of the heirs are considered in a manner that adheres to the principles of justice and equity under Islamic law. Furthermore, mediation can be a more flexible and less adversarial process than litigation, fostering mutual understanding and cooperation between the involved parties. This process not only alleviates the burden of prolonged legal proceedings but also encourages parties to find practical solutions, thus preserving family relationships while adhering to the requirements of Islamic financial and inheritance law.

Arbitration, on the other hand, can be an alternative dispute resolution method that offers a quicker and more effective solution in inheritance cases involving collateralized assets. By appointing an arbitrator who is knowledgeable in both Islamic law and the relevant positive laws governing collateral, arbitration can expedite the dispute resolution process and provide a legally binding decision that all parties must adhere to. This process is particularly useful in complex cases where there are multiple parties involved, such as creditors, heirs, and financial institutions, each with differing interests. Arbitration allows for a more streamlined and focused approach to resolving disputes by eliminating the need for prolonged litigation, which can often be costly and divisive. Additionally, the arbitrator's expertise ensures that the resolution is grounded in both Islamic legal principles and the applicable modern legal framework concerning collateral, providing a more comprehensive and equitable outcome. The potential for arbitration to reduce the likelihood of prolonged conflict is significant, as it offers a final decision that is both enforceable and fair, making it an ideal alternative when balancing the competing interests of heirs and creditors. By offering a structured, formalized process, arbitration can mitigate the risks of ongoing disputes, ensuring that all parties involved are treated with fairness and respect in accordance with Islamic principles.

Involving notaries and Islamic financial institutions can significantly aid in clarifying the status of collateralized assets and the distribution of inheritance rights. These institutions play an essential role in ensuring transparency and legal clarity, acting as formal mediators in inheritance disputes. Notaries, who are legally trained professionals, can provide necessary documentation and formal recognition of the status of assets and obligations, while Islamic financial institutions, with their expertise in sharia-compliant transactions, can offer insight into how Islamic law applies to collateralized assets. These entities are essential in managing the complex intersections between Islamic inheritance law, debt obligations, and sharia-compliant banking practices (Giambona et al., 2014). By collaborating with these institutions, it becomes possible to navigate inheritance disputes in a way that respects the principles of Islamic law, ensuring that debts are paid off before inheritance distribution while safeguarding the rightful interests of heirs. Moreover, they can help draft clear and binding agreements that outline the responsibilities of all parties involved, providing a legal framework for addressing potential disputes and minimizing conflicts.

Preventing inheritance disputes involving collateralized assets can often be achieved through careful and structured estate planning. It is highly recommended that individuals with assets to be inherited create a will or agreement that specifically addresses outstanding debts and the disposition of assets that are still pledged as collateral. This proactive approach provides a clear and legally enforceable roadmap for heirs and other stakeholders to follow when the estate is being settled (Beutler & Grobřty, 2019). By clearly outlining how the debts should be settled before inheritance is distributed, the will or agreement can prevent confusion and disputes among heirs and creditors. This foresight allows for a smoother transition of assets while ensuring that Islamic inheritance principles are adhered to (Song & Ryu, 2021). Moreover, it offers peace of mind to the asset owner, knowing that their estate will be handled in accordance with both their wishes and the legal requirements of Islamic law. By including provisions that explicitly

detail the handling of collateralized assets, potential conflicts arising from the intersection of debt obligations and inheritance can be minimized, ensuring a fair and just distribution that respects both financial obligations and family rights.

CONCLUSION

The resolution of inheritance disputes involving assets still under debt collateral status requires a careful balance between the principles of Islamic inheritance law and the operational realities of modern Islamic banking. Islamic law mandates that debts must be settled as a priority before distributing the deceased's estate to heirs, reflecting a fundamental obligation in sharia to honor financial commitments. However, the existence of collateralized assets introduces a layer of complexity, as these assets are under the creditor's claim until the associated debt is fully repaid. This creates a potential conflict between the rights of heirs to their inheritance and the creditor's rights to the pledged asset, particularly when the collateral constitutes a substantial or irreplaceable part of the estate. Additionally, the regulatory framework governing Islamic banking often involves clauses in collateral agreements that further complicate the matter, such as provisions allowing creditors to liquidate pledged assets in the event of non-payment. These regulations, while necessary for the sustainability of financial institutions, can delay or diminish the heirs' ability to claim their rightful inheritance. The interplay between these legal and financial obligations underscores the need for a more integrated approach that reconciles the objectives of Islamic law with the requirements of Islamic banking, ensuring that neither heirs nor creditors are unfairly disadvantaged.

This study concludes that addressing such disputes necessitates transparent mechanisms for documenting debts and clear procedures for settling them from the estate before any inheritance distribution occurs. Islamic law provides a strong foundation for justice, and its application in modern contexts must account for evolving financial practices. One key recommendation is the development of a unified framework that outlines the roles and responsibilities of all stakeholders in disputes involving collateralized assets, ensuring that heirs receive their entitlements only after the debt obligations are resolved. For instance, if an asset pledged as collateral is part of the inheritance, the estate must first cover the outstanding debt from non-collateralized assets, if available, or arrange for the liquidation of the pledged asset to settle the obligation. Beyond these legal measures, the study emphasizes the importance of public awareness and education about the intricacies of Islamic inheritance law and Islamic banking regulations. Such initiatives are essential for reducing the occurrence of disputes and fostering a culture of compliance with sharia principles. Ultimately, this research contributes to the ongoing discourse on harmonizing traditional Islamic jurisprudence with contemporary financial systems, proposing solutions that promote fairness, uphold justice, and ensure the sustainability of both inheritance and banking frameworks.

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