

ISLAMIC BANKING & FINANCE

PRINCIPLES, INSTRUMENTS & OPERATIONS

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Hanifah Haydar Ali Tajuddin*



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CHAPTER MEDIATION IN ISLAMIC BANKING

16

by *Khairil Azmin Mokhtar** & *Sharifah Nadiyah Syed Ahmad***

16.1 Introduction

Mediation is an efficient and effective avenue to resolve financial disputes in Islamic banking. The speedy, economic and accommodative method of resolving dispute, which is much encouraged by the judiciary, enables the parties to be involved in looking for the solution of the dispute and to apply *Shari'ah* laws without any constraint in resolving their disputes. Not only that they have the prerogative to choose the mediator, who is well versed in Islamic law to provide assistance in achieving an amicable settlement, but the parties would also be saved from the embarrassment of publicly exposing their dispute. Hence, the established relationship between the parties is allowed to be preserved or maintained due to the mutual agreement reached. Mediation thus could strengthen the legal infrastructure of Islamic banking by providing credible and reliable forum for speedy justice.

Background

Tan Sri Dr Zeti Akhtar Aziz, the Governor of the Central Bank of Malaysia, in one of her speeches, highlighted one of the most important pre-conditions to sustain the continued growth of Islamic banking and finance's and that is a comprehensive legal infrastructure for legal redress arising from Islamic financial transactions. In other words, there must be

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