

FATAWA CREDIT CARDS 2006

Issuance and Use of Credit Cards

Subject: Credit Card: Allowed in Islam?

From: Gulraiz through Islam online

Sent: Monday, May 22, 2006 1:31 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I have two questions to ask. Q1). Is the usage of credit card is allowed in Islam? Even if we pay our bill on time, some merchant charge 1-2% extra on our bill. Is this a interest? Q2). If the late payment on credit card is not allowed then in economic term no one will pay on time and the Banks will suffer losses. In the same way my college also fine's on coming late. Is this also wrong? Fi Ammanullah. Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Gulraiz

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Issuing credit card for say a Muslim bank, the way it is usually issued is Forbidden in Shari'ah because the contract contains interest clauses (if you don't pay within the grace period interest will be charged; if you withdraw cash interest will be charged from the day of withdrawal with no grace period).
2. Accepting a credit card for a customer, wherever there are not credit cards issued according to Shari'ah by Shari'ah abiding institutions, may be permissible provided two conditions are satisfied: 1) that you pay on time within the grace period, it is Haram to use the credit card if one has any doubt that she/he will not be able to pay within the grace period; and 2) if one does not withdraw cash on the card. With these two conditions, signing the credit card contract becomes permissible because the contract gives you the option to satisfy these two conditions and thereby avoid any interest.
3. Issuers of credit cards usually charge businesses certain percentage on the the amount used on the card. This is why some traders, whose profit margin is small prefer cash payment and they charge certain percentage to cover these fees they pay to the issuer when you use the card for payment. This charge is permissible because it becomes a part of the price as if the seller says: if you pay me with the card, the price is so much.
4. Fines for delay payment are essentially not permitted except when there is a proven harm done by the delay and then the fine **MUST BE TO THE AMOUNT OF HARM THAT IS ACTUALLY DONE**. Other wise this becomes a back door to interest, or interest under another name. Interest that is prohibited is what is called ""the cost of

capital in lending of delaying or rescheduling and already existing debt." It is prohibited no matter what name it may take.

5. A loan, in Shari'ah, is personal and between persons who know each others, it is not a means of investment or generating return because a loan creates a debt and a debt can't create any increment. If you want to earn you invest in goods, services, assets and other properties that may create increment, either physically or in value. When loan is personal you don't give it to a person who you may expect her/him to default or be delinquent.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Signing Interest Contract in Credit Card

From: Shihabuddin through Islam online

Sent: Thursday, April 20, 2006 3:03 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
May allah bless you for your valuable service. My question is regarding interest in Credit Card. I Purchases Gold thru my Credit Card from Dubai and hope to repay the money in 55 days credit period. But unfortunately i was unable to pay and Bank charged me 45 UAE Dirhams as interest. Now i am able to repay it and i want repent to the Almighty, what i paid as interest. Kindly give me your advice for repentance. jazakumullah khyran.. Shihab Dubai.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Shihabuddin,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Entering in an interest-potential contract without being exactly definite about not falling in the possibility of going through interest is itself Haram. Also paying interest is an added Haram! There is no Kaffarah for the sin of Riba in Shari'ah, that doesn't mean it is not a very big sin. There is no Kaffarah for the sin of being rude to one's parents also yet the Prophet, pbuh, mentioned that if is one of the most grave sins one may commit. The general Kaffarah for sins is what is mentioned in the Qur'an: true and sincere repentance, with Istighfar [asking God for forgiveness]. The Qur'an also mentioned charity and making good deeds/actions as the good deeds take away bad ones.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Performing Hajj While Owning Money on One's Credit Card

From: Ihab through Islam online

Sent: Wednesday, March 29, 2006 12:55 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

If someone wants to go to Hajj he owes noone any money but he owes money on his credit cards can he still go to Hajj and will his Hajj be accepted by Allah (S.W.T) he is paying his credit cards as fast as possible and as he is paying them off he is cutting them up Inshallah he is able to go to Hajj. Thank You Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ihab

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

If the balances on the credit cards carry interest, its payment has a priority over spending on the Hajj trip because interest is Haram. But if one goes for Hajj inspite such a balance, the Hajj InShaAllah is acceptable but the sin of interest is not removed until the interest bearing balances are cleared.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf
