

FATAWA CREDIT CARDS 2007

Obtaining and Using Credit Cards

Subject: Having Credit Card

From: Shakeel through Islam on line

Sent: Sunday, January 07, 2007 6:15 AM

Question:

Dear Scholar I have a credit card that pays me 5% back in reward points and then I can redeem them as cash. Is this permissible? JAK

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. Shakeel,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Yes, it is permissible. This is a marketing promotion that is permissible to benefit from as long as you do not allow the card to generate any interest on you. (interest is generated by delaying payment beyond the grace period or by cash withdrawal)

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Charges on Credit Cards Issued by Islamic Banks

Subject: Withdrawing cash using Credit Card

From: Rifai

Sent: Friday, February 16, 2007 1:44 PM

Question

Dear Dr Kahf,

sslamu Alikum

By Using a credit card the account holder can withdraw money. For every 3000Dhs withdrawal bank charges 100Dhs which is a fixed amount. If the account holder doesn't pay the money on time, there is no additional charge (such as late payment, interest). Is this method of using the credit card is allowed in Islam. I know non-Islamic banks have interest and at payment charges if the account holder doesn't settle the money in full on time which is non Islamic. Jazakallah.

Rifai

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. Rifai

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

A charge on withdrawal on credit card may be permissible to the extent of the actual cost of the operation on the part of the credit card issuer. I suppose an Islamic bank that issues credit cards must have made an estimation of this actual cost and found it to the tune of 100 for each 3000. the bank may have made an additional arrangement (which I would do if I was to advise them on this matter) that at the end of the year any surplus of this amount (the 100's collected against the cost of handing the transaction) would be given to charity to avoid any interest ingredient.

Hence if I want to give an opinion on the permissibility of this arrangement I will need to know the actual cost of this transaction.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Refund of a part of rental of using Credit Card when paying on time

From: Rifai

Sent: Saturday, February 17, 2007 10:49 AM

Question

Bank charges 75 Dhs monthly as rental for the card. If I settle the due amount in full on time the bank will refund 60 Dhs. So the actual monthly rental on card is 15 Dhs. For me this sounds a bit unusual because this is more like a late payment charge where bank is taking in advance in case the amount is not settled in full. Is it allowed in Islam for any financial institution to charge any late payment fee (on Credit card transactions)?

Jazakallah

Rifai

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. Rifai

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Please excuse my delay, I have been making research and thinking about it all the time. In fact, there seems to be no Riba involved. But on the other hand does the transaction reflect fair market price for rental? I have several issues to deal with:

1. If the bank has its own teller machines and manage them on its own without sharing a system with other banks and these machines are made only for holders of credit card to withdraw from (or the share of the total cost of these withdrawals is high of the total use of the machines), I suppose the cost of them may really be high that it may justify a rental of D 75. If so withholding a discount from non-favored customers is permissible and it is not a late fee for delinquent payment. It is not Riba.
2. But 75 Dirham a month is high for the market price of running the facility of credit cards' withdrawal! After all these machines save a lot on the time of staff which is a cost to the bank (this is why bank have ATM after all). If so, the withdrawal is like overdraft, you cannot charge increment on it, any increment on them is interest. You may either allow this facility or not. (You still can charge actual cost only). The market price of the rental of machines for this facility is actually close to zero as other banks do not charge rent at all. Does this mean that any rental charge is in fact a charge for other than rent, and it falls in the Haram area? To me it seems this is the case. Why should I pay a rent here when all other provider of this facility do not charge any rent, is it really a rent then? This goes for the D75 all of it! This creates a doubt in my mind on the two components of the 75 that is both the 25 and the 60.
3. Defining good or bad customers on the basis of paying on time or delinquency seems to be an interest-based definition because good guys may also be late sometimes. This again brings us to square one, is the 60 Dirham really a discount on rent or a pre-charged interest that is refunded when it is not due conventional-wise, i.e., when you pay within the grace period?
4. Finally I don't go along with cutting-edges Islamic finance. If certain conventional facilities don't fit our principles we just don't undertake them but we don't cut edges to make them formally fit, with a lot of artificiality, in such a way that we loose substance!

Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Working in Issuing Conventional Credit Cards

Subject: Working in the issuing of conventional credit cards

From: Azim Riaz

Sent: Monday, March 05, 2007 10:08 AM

Question

I would like your humble view if it's permissible for me to do this job the description is below. Please let me know ASAP.

GCC Card Administrator

Area of Responsibility: To manage the completed credit card applications through to production and deactivation of the corporate credit card.

Key Tasks & Duties:

The main duties are checking applicant information and credit card form against HR system,

Updating the registration of card application of HR spreadsheet or database,

Check fields as per card admin schedule instructions spreadsheet,

Prepare applications for scanning and upload to Citibank,

Upload to Citibank web tool,

Return incomplete/incorrect applications to applicants,

Obtain clarification in Citibank queries, telephone and email query handling with applicants and Citibank.

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. Riaz

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

This job as you described it is an essential part of accepting the application and it is therefore part of signing the contract on behalf of the credit card company (in this Case Citibank). If the credit card is interest-based, I find this job an essential part of issuing the card that represents the contract on the part of issuer, and it is therefore not permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf
