

# FATAWA CREDIT CARDS 2008-2012

## Subject: Use of Credit Cards.

From: Mohamed

Sent: Thursday, March 06, 2008

**Question: are credit cards permissible?**

Assalamu alaykum.

Dear sir please clarify can we use credit cards?

**My Answer:**

Bismillah al Rahman al Rahim

Al Hamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mohamed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If you live in a Muslim country, I would say you should not use credit cards issued by conventional banks and only use credit cards issued by Islamic banks.

The reason is the interest clause that is in the credit card contract, although it gives a grace period that is you your hand to abide by. But still it is an interest clause that you are signing and there are not much real benefits from credit card in almost all Muslim countries (and in fact their harms on personal budget may be greater than their benefits!)

But if you live in a Non-Muslim country, where there are no credit cards issued by Islamic banks, you may sign the contract of credit cards and use them provided you abide by two conditions: 1) you do not withdraw cash as cash withdrawal invokes the interest clause immediately from the date of transaction; and 2) you know for sure (and you actually do) that you shall not delay any payment beyond the deadline of the grace period. The reason I argue that it is permissible to take the credit card and sign its contract in Western countries with these conditions is two-fold: 1) the contract makes yours the choice to invoke the interest clause and you can avoid it; and 2) Using a credit card has become almost a necessity for Muslims who live in the Western countries as they are needed for many transactions and they have great conveniences.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Asad

Sent: Tuesday, April 29, 2008

**Part of the question: use of credit cards**

What about possession and use of credit cards such as Visa/Master card etc. where you may avoid paying interest when paying by due date. Is this way of using credit cards and avoid paying interest permissible?

Happy Eid (in advance).

Jazak Allah Khair.

Wassalam,

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Asad

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is permissible to use credit cards if you can guarantee that you will not fall into any interest. Two things you should be aware of: 1) pay within the grace period; and, 2) do not withdraw cash from an ATM machine with the credit card. You are then a free rider on an interest-based system!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Rabia

Sent: Tuesday, December 16, 2008

**Question: Use of Credit Card for Organization**

Thank you again! I just had one question in mind, we need a credit card for the organization, what can we do since our programs InShaAllah are interest free but if we get a credit card then that would mean we are involved in interest.

Rabia

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Rabia,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

My opinion is: it is permissible to Muslims to sign a credit card standard agreement provided three conditions are fulfilled:

1. The agreement gives a grace period for payment without interest,
2. The user pledges to him/herself to pay within the grace period and knows very well that she/he can and will do that (one way may be by giving authorization to charge it on one's account on the due date), and
3. The user does not withdraw cash if cash withdrawal generates any charge.

With these three conditions one gets all the benefits of credit card without falling in interest because the option is yours to invoke or not the interest clause (it is a dormant clause unless you invoke it, this makes signing it permissible).

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Gulzar

Sent: Monday, April 06, 2009

**Question: Objective of Shari'ah and prohibition of Riba in credit cards**

Dear Dr. Monzer,

ASlamo Alakam,

I happened to read your paper on Objectives of Shari'ah in the Prohibition of Riba, it is quite impressive logically and broaden common Muslim vision about what is interest and what not? please accept congratulation for such great research and guidance to Muslim community.

Due to lack of knowledge and fatwas by unlearned muftis spread all around streets, common Muslim is put to believe that all banking system products are interest based and therefore haram and illegal and to the extreme bank jobs are also haram. It would be great service to Muslim community if banking system existing products are categorized like what is Shari'ah compliant and what not? For example, credit cards by bank or credit cards by shopping mall etc. what is their credibility towards Shari'ah? I feel these are OK and Islamic compliant as I recollect from this paper spirit and rationale, please correct me if I am wrong?

Best Regards

Gulzar

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Gulzar,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Thank you for your kind email and understanding.

For credit cards, those that are issued by Western banks and their like contain an interest clause for any delay in payment. Of course any interest clause is not permissible.

However, for Muslims who live in the Western countries and need credit cards, they are permissible to sign the contract provided they make it sure that the interest clause would never be activated. This can be done if they make full payment on time always and do not withdraw cash on the credit cards because cash withdrawal charges interest from day of getting the cash.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Gulzar

Sent: Monday, April 06, 2009

**Question**

Dear Professor Dr. Monzer,

Walaikam slam wa rahmatullah wa barkatho,

Jizaka Allah, thanks for your answer, guidance and affording your precious time.

Please see another situation that is different than banking credit cards like some shopping malls offer customers credit cards with a reasonable % of discount to holder of these cards only. Here the control whether to indulge in interest lies with card holder that is in a way interest is levied on your purchases if you fail to clear your credit limit within 25 days. If payment is done before allowed time then interest is never effected. Benefit to holder is that he avails minimum 25% to 40 % maximum discount in purchases that is a reasonable amount that can be saved just by signing contract to get a credit card and not indulge in interest paying on spot of the purchases. For example, one of such card is KOHL shopping mall that provides credit limit up to 1200 US \$ without interest if paid within 25 days. Please advise whether signing such credit card contract is OK or not?

Another question rather situation is a bit complex, your guidance and advice will be appreciated:

My son 29, MS from USA and working as engineer and living here since 9 years, Alhamdulillah he is very decent nice and cooperative and posing religion in maintaining beard untrimmed, marry girl wearing scarf and not to talk or meet with scarfed girls suggested for marriage but now he is in hurry for marriage as well. We as parent also feels that he should be immediately married as he finished his studies and on job but his life style though Islamic is not getting him spouse.

In general girls or family of girls avoid beard guys how much best he may be as practicing Muslim.

He is interested that proposed girl should not wear trouser and wear hijab while going outside. His belief that it is sin to meet, talk and see girls privately, even we managed girls with scarf. Religious girls with scarf brought up in USA are more learned and like to make partner who shows interest in them and consistent to their ideals, so dating them several time is vital to both parties to match/understand each other and decide future marital line of action/decision. Please advise about beard maintaining, can we trim it like French cut or like Saudi style quarter inches or shave and grow as need arises?

Trousers' wearing by girls, is it un-Islamic or girls wearing it cannot be considered for marriage? Witnessing TV/Movie at home, he does not allow us to buy TV as we joined him for visit to search some girl and marry him.

What is Shari'ah advice about dating, talking or meeting girls privately for purpose of pre-staging marriage? How long we can engage in such conversations or dating sort of business? More over what are Shari'ah considerations/criteria in selecting a girl for marriage? Please let me know if there is some book that provides Shari'ah guidance about matrimonial aspect, I will purchase it.

Thanks in anticipation,

Regards

Gulzar

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Gulzar

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Quick answers:

1. You know in this discount/credit card, as in credit cards themselves, you are signing a contract that includes interest if you do not pay in full within the grace period. This is an interest matter that is prohibited unless you can be sure that this clause will never be invoked. If you are sure it will never be invoked, it is permissible to sign the contract because it gives you the option of not dealing with interest and also permissible to use it too.

2. Meeting in privacy of a man and a woman is prohibited regardless of the purpose! Dating then is not a way of getting to know each other and it is not a good way for marriage anyway since divorce cases are more common among predated marriage than among arranged marriages. On the other hand, knowing each other is good and useful. This knowing is normally done by Muslims all over the world through families and friends. The fact is: you have better and less emotion driven knowledge this way than through dating. We normally add to this the application of the advice of the Prophet, pbuh, that they should meet and see each other, of course with Hijab and in presence of family or friends. Now the dress of women: trousers are permissible provided they do not shape the bottom or legs of the woman (in fact same condition also apply to men pants!), if a woman wear tight pants but with a long non-tight shirt above it that covers her bottom up to her knees, that makes it within the Shari'ah too. Head cover that covers all hair is also a part of Islamic hijab. For men, the beard is only a Sunnah not an obligation. Trimming and shaping it is permissible and it is always good to make one's appearance, especially the face prettier and more handsome. It is reported that Abbas, the Prophet's, uncle used to "beautify" himself for his wife. I personally wouldn't like to marry my daughter to a boy who looks like Taliban as depicted on TV!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Iqbal

Sent: Tuesday, July 28, 2009

**Question: Getting a loan from credit cards that give grace period**

Aslamoaaleekum,

I live in London and I am writing to humbly request your help on this issue. I hope you will know better on what Islam says on this one.

I urgently need some money and I cannot find anyone to lend me money. I have some credit cards that give me some interest free period for shopping. I have a friend who has offered to help me in a way.

He has a credit card machine in his shop and he is ready to swipe my card as if I am shopping in his shop. And then he will give me the cash back. The problem is that he is charged 2.5% on all card transactions and he expects me to reimburse that amount to him.

I am not sure if I will be acting within the limits of Islam if I reimburse him that amount. Please advise me on this issue if you can.

Thanks a lot in advance and may God bless you.

Allah Hafiz

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Iqbal

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I believe that this transaction is in violation of law and moral standards. For the store owner, it is permissible to pay the 2.5% charge on credit cards transactions because that is for the multiple services provided to him by the credit card companies. For you to pay this amount it becomes an interest on the cash withdrawal. I suggest that you find other way of acquiring the cash that you need, and you should be able to get it from friends and family.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**Subject: Performing Hajj and Umrah by Credit Cards**

From: Living Shari`ah

sent: Sunday, February 10, 2008

**Question: Using credit card for Hajj expenses**

SALAMS

Could you please reply this question, we got in our Hajj and Umrah page?

Is it allowed to pay for your haj by credit card?

Thanks, Wael

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Wael

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Why not? Paying by credit card is appointing your agent (the credit card issuer) to pay the amount on your behalf. What is wrong with this? It is of course permissible. It is another issue to have a credit card with interest condition or to allow it to incur interest. Of course it is forbidden to allow one's credit card to incur interest. This means that using a credit card for any payment becomes non-permissible if you know that it will incur interest as when you don't pay during the grace period.

Wa Allahu A'alam

Wa Al Hamdu Lillahi Rab al Alamin

Wassalam  
Prof. Dr. Monzer Kahf

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## **Subject: Using Credit Cards to Buy Gold, Silver and Currencies**

From: Azri  
Sent: Friday, August 27, 2010  
Location: Ireland

### **Question: buying gold jewelry with credit card**

Dear Dr. Monzer ,

I have an important question regarding credit cards. I did surf through the internet and read a few of your fatwas, but I need to ask further. I hope you can reply so that I can spread this knowledge to other Muslims around Ireland.

Al Ustaz Zaharuddin Abd Rahman, a prominent Malaysian expert in islamic finance, mentioned about using credit cards in transactions that involves currency exchange (for example, using a card issues by an Irish bank in the UK or Malaysia). It is haram, and he did mention his hujjah and rulings from scholars. He said it is due to a delay (the transaction will appear in the statement and will be paid by the user at the end of the month)

He advised us to use a charge card like American Express instead and pay in full at the end of the month, or use an Islamic credit card in Malaysia and use it in Ireland.

Our current situation now is as follows:

- Unlike in the UK, we don't have Islamic financial products in Ireland. I've tried to look in the internet, but failed to find any.
- I checked with AMEX, but all applicants must have a salary of at least 35,000 Euros a year (we are students)
- we pay by direct debit 100% every month (does our credit cards still considered as 'uncovered'?)
- We travel and buy stuff online a lot (flight tickets, eBay, etc.)
- We can't make an Islamic credit card back in Malaysia since we are not working, (not like Irish banks student account, we can make a credit card even if we are not working)
- Not all of our parents have the awareness to use Islamic financial products (but we are working on it), so supplementary credit cards is not an option.

The credit card that we are currently using makes daily transaction very easy. What is your opinion about this?

Trying my best to refrain from Riba',

Azri

### **My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Azri

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

When you use a credit card to pay for goods purchased across countries/currencies you need to know the mechanics of the transaction. It is exactly like the purchase within a country/currency. By offering the credit card to the seller you are authorizing the issuer of the card to pay immediately on your behalf to the seller. Notice the seller gets his money immediately and the transaction is cash in the currency of the seller (I'll come to the issue of Qabd in a moment). Your Wakil charges you then the exchange rate of that day based on the agreement between you. The Wakil does not wait for the exchange rate until the date of your payment of the credit card bill. The second part of the transaction becomes in the currency of the card between you and your Wakil, at that time there is no question of foreign currency. Then you pay the amount to your Wakil in the same currency of the debt according to your agreement. If it is not an Islamic card, you have to pay it within the grace period in order to avoid generating interest. The issue of Qabd (possession) comes when you buy gold, silver or other currencies. Notice here that the purchase is performed in the local currency of the seller and the issuer of the credit card pays to the seller either on the same day/or moment, as it is usual, of the transaction or it may take hours or days depending on the arrangement of central banks for processing transactions across countries. This much delay does not affect the Qabd because it is the normal time that is required to perform Qabd and the OIC Fiqh Academy issued a resolution to this effect (you find it under the issue of Qabd in its publications). Please notice that this period of Qabd applies to charge cards, debit cards, credit card and even payments by checks or transfers because it is procedures of processing by central banks.

As a conclusion, using credit cards is permissible for buying foreign currencies, gold and silver, and there is no difference between credit cards and debit and charge cards in this regards.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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### **Subject: Secured Credit Card**

From: Mohamed

Sent: Monday, March 24, 2008

**Question: secured credit cards**

As-Salamu Alaykum wa Rahmatu Allah,

Hope this message reaches you while you are in the best of health and Iman, I would like to know the ruling of Secured Credit Cards. I read your fatwas regarding credit cards and I agree with your opinion that it is halal to get one if you are going to pay back within the grace period. But the problem with the secured credit card is that you have to open a SAVING account to get one. By the same token, a secured credit card seems to be the best option for me to build a good credit history since I have arrived to the US recently and I want to build a credit history. Is it halal to get a secured credit card despite the fact that I have to open a saving account to secure it and that other alternatives for getting a credit card regardless my credit history may

exist but usually costs more expensive fees for issuing the card and more monthly and annual service charges.

Jazakum Allahu Khairan

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Muhammad,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

In fact, this is the first time I hear about a secured credit card I never came across it. I checked it on the internet and understand it now!

It seems that under the circumstances, it is permissible for persons who cannot get a credit card otherwise, for any of reason, including being a new comer in America, and they need it to establish credit reports, etc. to get a secured credit card and open the required saving account provided they do not allow the interest clause to be applied (by keeping payments within the grace period and not withdrawing cash from teller machines) and dispense of the earned interest on the saving account to Muslim charity.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**Subject: Credit Transfer**

From: Mufti

Sent: Sunday, May 31, 2009

**Question: Is transfer charge permissible to pay?**

Salamu 'Alaikum,

What do the scholars say about transferring credit from one credit card to another. As you know, people do this when they are offered a lower rate. Also, some credit-card companies charge a fee for doing this. Is it allowed to transfer credit for a fee like that?

Jazak-Allahu khair,

Was-Salam.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mufti

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

A small fee for credit transfer is tolerable because there is some administrative cost in transfer of balances from one credit card to another. Of course a fee that is more than a few tens is interest-like or it hides interest especially if it is a percentage of the balance.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin  
Wassalam  
Prof. Dr. Monzer Kahf

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From: Mufti

Sent: Tuesday, June 02, 2009

**Question: Transferring credit from one credit card to another**

Salamu 'Alaikum,

What do the scholars say about transferring credit from one credit card to another? As you know, people do this when they are offered a lower rate. Also, some credit-card companies charge a fee for doing this. Is it allowed to transfer credit for a fee like that?

Jazak-Allahu khair,

Was-Salam.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mufti

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

A small fee for credit transfer is tolerable because there is some administrative cost in transfer of balances from one credit card to another. Of course a fee that is more than a few tens is interest-like or it hides interest especially if it is a percentage of the balance.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Asad

Sent: Tuesday, January 18, 2011

Location: Ottawa, Canada

**Question: Credit card Balance Transfer Fee**

Dear Dr. Kahf,

Assalamu alaikum wa rahamatullahi wa barakatuh.

I would appreciate if you could answer my question in regard to credit card fees.

These days some credit cards are offering 0% financing (I.e., no interest) for loans or cash advances, however, they charge a one-time 1% balance transfer fee for the transactions. For example if one borrows \$1000, a balance transfer fee of \$10 will apply to the transaction and so on. I wanted to know if this balance transfer fee is considered Riba or is it a permissible transaction fee. I would appreciate your advice. JazakAllah khair.

Asad

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Asad

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If this fee is a fixed amount in the neighborhood of \$10 it is a charge for the transaction that has definitely certain cost. When it becomes larger for large sums, it may in fact become Riba because a transfer of 100,000 does not cost 1000, compare with 10 for 1000 transfer it may only add one or two dollars more. The point that it is a percentage is not the issue, the issue is whether it makes a fair compensation for the effort of transfers to the extent that it does not include any extra, as the extra is Riba whether it is a percentage or a lump sum.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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### **Subject: Fees on Credit Cards Loans**

From: Munir

Sent: Tuesday, September 22, 2009

**Question: 3% processing fee on a credit card loan**

AA Dr. Monzer,

I wanted to ask you about 0% Apr credit card loans while they take 3% processing fee for the loan. Is that allowed given that I plan to invest the money for a short period of time and pay it all back before the time comes when the interest fee starts kicking in.

Your response is highly appreciated.

Munir

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Munir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This processing fee includes interest for the loan/transfer. Processing of a loan may take ten or twenty dollars. Any amount taken beyond the actual cost of processing (literally the actual) is considered interest. Interest on a loan does not have to be periodical, percentage of principal or a function of time. Rather: any increment on the amount of the loan is interest.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Munir

Sent: Friday, September 25, 2009

**Question: Investing money of credit cards and pay it in full within mercy deadline**

Walikum assalam,

Jazakum Allahu Khairan,

I asked for me personally as several people brought the issue up recently and they are practicing it. They take the money and invest it and before the due deadline they will pay it back in full and not incur any interest charges. I have close relatives who did that.

It seems from what you are saying that the "transaction" fee being 3% of the borrowed amount is too high and is considered interest even if they are masking it and giving it another name (tala3ub fil 'asmaa').

I looked online, including Islamonline, and couldn't find a clear answer for this question. Maybe this is a good time to have a written answer from qualified people like you.

Wasalam,

Munir

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Munir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I don't like this back and forth when we deal of a Fatwa.

The 3% charge collected by a credit card company is interest because it is way above the actual cost of processing a loan on the credit card.

If you take cash from a store and the store manager/owner asks you to pay the merchant fees that he pays to the credit card company that is usually 2-5% because he is only doing you a favor by giving you cash and he should be compensated for the fee charged to him by the company. In this case the owner is correct and right but whatever you pay as a cost of taking the cash is again interest because it is not a real cost of processing a loan but an increment on the loan. This is interest.

When you go to a merchant and he asks you to pay extra if you pay by credit card for what you purchase (in the Middle East, Europe and in America too) is a different matter. Some merchants cut their profit to a minimum that does not include the charge of the credit card (by the credit card company on the merchant) This is why they do not like to take credit card but if they have to they ask for an extra 3%. This is not Riba but pure permissible sale. It is more common in the Middle East because use of credit cards is not as common and because of they cut more edges on prices. It does exist in America and Europe in some gas stations and small retail shops. Of course large stores have more profit margins to the extent that they do not need to do that.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**Subject: Credit Card reward points (or cash back)**

From: Ahmed

Sent: Wednesday, December 02, 2009

Location: United States

**Question: reward points**

Asalam Alykum Dr. Monzer,

Thanks for the information posted on the website.

I would like to ask a question regarding the reward points (or cash back) when using credit cards (e.g. Visa). I read the fatwas and I still have something in my heart regarding using the cash back offered by the credit card company. I understand the point of promotional marketing but do I need to look at the source of funds which was used in offering the cash back money. The money (funds) available to Visa and the other credit card companies have part of it collected from the interest money collected from those who use the cards as a temporary loan source or from those who delay on paying on time.

So, my question: would the cash back (or reward points) be Haram because part of the source of money (funds) of the credit card company is interest-based (I.e. haram)? Would these cash back or reward points considered from the Mutashabeh that we should stay away from?

May Allah reward you for your knowledge.

Jazakum Allah Khair.

Regards

Ahmed

**My Answer:**

Bismi Allah al Rahman al Rahim

Alhamdu Lillahi Rabbi al Alamin, wa al Salatu wa al Salamu ala Sayyidina

Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Ahmed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I think you are asking questions that are none of your business. Did it ever occur to you that whenever you buy a thing you are going to ask the seller how did it get its bread and whether it was with money borrowed on interest, same when you rent a house, was it built on loans with interest, and when you receive your salary where did the company get it from? Did you ever see in our long history of Shari'ah applications that those who indulge in incorrect contracts or behavior and get income out of that, that we should not accept their money when we sell them food and cloth so that we leave them to starve to death because their money was taken from wrong sources? Is it not sufficient for one of us just to be sure that the relations that one has other be permissible no questions asked? Does the Shari'ah require us to poke our nose in other people relations with others whom we have no relation or contact with?

Please notice that you are responsible to be sure that our own contracts with other are done in accordance with Shari'ah but not responsible about this other doing with their own "other" relationships. The money back and similar bonuses are permissible they are a kind of indirect discount on the purchases done by the agent who paid on hour behalf to the seller.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Hasan

**Question: are reward points permissible to enjoy?**

Assalamu Alaikum Sheikh. Firstly, I am using credit cards for my transactions and paying off on time without any interest. I am also planning to move towards using debit card instead of credit card as some people say it is desirable. Please, suggest.

Secondly, while using credit cards I have accrued a good amount of reward points, which the credit card company allows me to en-cash. Is it halal to use this, because in my understanding banks profit from interest based business and they are giving me a gift from the money earned through that. Please, clarify if it is halal/haram accepting it. Jazak Allah khayr,

Hasan

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Hasan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If you pay the balance on time always you are a free rider and it is permissible. Debit card is not better in this regards although I know there are people who claim that signing the contract of credit card is itself Haram. I do not believe so because the contract gives you the option to pay on time without interest.

Points and other promotions are permissible. Banks benefit a lot from interest on credit cards by people who do not pay on time but they also benefit from fees they collect from business that accept the cards. These fees are permissible. Besides, it is none of your business what banks earn or do with other customers as long as your relation with your banker has no interest or other non-permissible elements. These points and privileges are permissible in my opinion.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**Subject: Credit Card additional charge**

From: Zarjoon

Sent: Thursday, January 28, 2010

Location: Saudi Arabia

**Question: additional charge by merchant when accepting credit cards**

assalamualikum dr,

I need a fatwa for credit card charge when I pay by credit (visa, master & American express) bank charge 3% additional i.e. for cost of 100USD, one has to be pay 3% additional charge is it permissible?

jazakhallahu khaira

zarjoon

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Zarjoon

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I don't know exactly what you are talking about. Let me explain to you the matter as I know it and as practiced by law in the USA. When you buy you just charge your credit card the amount of the purchase only and the issuing bank charges you the same, by law it cannot charge more. When you withdraw cash from an ATM the bank charges you interest. This interest may take the form of a 3% or 4 % for cash withdrawal (we are forbidden to do this because of the interest) from the day of withdrawal until the day of payment. If you delay payment after the deadline of the grace period you are also charged interest (it makes using credit card not permissible unless you pledge to pay within the grace period in full and always avoid interest). On the other hand, banks charge the merchant that sold you a percentage (usually between 2 and 5%) for accepting payment and the services the bank give the merchant (this charge is permissible to pay and to take). Additionally many credit card issuers charge annual fees for their cards. This is permissible to take and to pay. For purchases overseas banks charge the exchange rate of the currency, the highest of the day of payment and they charge 3% fees for foreign exchange, this is permissible.

Some merchants in America announce the price and they give some discount if you pay cash in order to compensate their selves for the bank charge on the credit cards payment that they accept. Merchants do that because the law does not permit adding a charge for payment by credit card so they do not call it a charge, rather a discount for cash.

If in your country banks themselves charge users of credit card an additional percentage on purchases it seems to me that it is in fact interest and not permissible in Shari'ah because the concept of credit card is a transfer of debt to the bank instead of paying it directly. An increment in this transfer is not permissible and amounts to interest.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Zarjoon

Sent: Saturday, January 30, 2010

Location: Saudi Arabia

**Question: 3% additional charge by merchants**

assalamualikum Dr.,

Actually I'm working in Saudi Arabia. When paying by (American express, visa & master cards) bank charges from customer 3% additionally which is collected as a bank commission. For example: I'm buying goods for 1000 SAR. I'm going to pay by credit card. They charge 30 SAR more as a bank commission, so total 1030 SAR. My question is the additional charge interest? Or is it permissible to be collected?

Jazakhallahu khairah

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Zarjoon

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You did not explain it in your first email and you missed the right words in this email too. You are not charged by the bank. You are charged by the seller 1030 instead of 1000. It is the seller who charges you an extra 30. The seller does that because he wants to be compensated for the commission that the bank charges him for the services of the credit card. This is what I mentioned to you that it is illegal in America and some sellers go around it by giving discount for cash payers. It is permissible for banks to charge merchants for their services of credit card, it is permissible for merchants to pay this commission and it is permissible for them to refuse selling you at credit card payment if you do not accept to pay this extra amount. In other word it is permissible in this example that the seller requires 1030 if you pay by credit card or 1000 if you pay cash.

On the other hand, if the bank charges you an extra 30 for allowing you to use its credit card for this purchase of 1000 this is interest on its part and it is Haram for you to make this transaction.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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## **Subject: Lending Use of Credit Card, What to Do with Charges?**

From: Iqbal

Sent: Monday, July 27, 2009

Location: United Kingdom

**Question: allowing a friend to take cash from my business on his credit card**

Aslamoalaeekum,

I live in London and I am writing to humbly request your help on this issue. I hope you will know better on what Islam says on this one.

I urgently need some money and I cannot find anyone to lend me money. I have some credit cards that give me some interest free period for shopping. I have a friend who has offered to help me in a way.

He has a credit card machine in his shop and he is ready to swipe my card as if I am shopping in his shop. And then he will give me the cash back. The problem is that he is charged 2.5% on all card transactions and he expects me to reimburse that amount to him.

I am not sure if I will be acting within the limits of Islam if I reimburse him that amount. Please advise me on this issue if you can.

Thanks a lot in advance and may God bless you.

Allah Hafiz

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Iqbal

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I believe that this transaction is in violation of law and moral standards. For the store owner, it is permissible to pay the 2.5% charge on credit cards transactions because that is for the multiple services provided to him by the credit card companies. For you to pay this amount it becomes an interest on the cash withdrawal. I suggest that you find other way of acquiring the cash that you need, and you should be able to get it from friends and family.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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### **Subject: Using other people's credit cards**

From: Ahmad

Sent: Wednesday, September 08, 2010

#### **Question: Team credit cards**

Assalamu Alaikoum Brother Monzer,

I'm currently enrolled in an extracurricular club where they have purchases using a team credit card. I'm currently in a situation where I have to put a purchase on that credit card, if they incur Riba (interest) will I be at fault?

Jazakallah Khairan,

Ahmad

#### **My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Ahmad

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If you know when you make the purchase that interest would incur (e.g., if purchases are for you and you know you are not able to pay during grace period; or if purchases are for the club and you know that it usually does not pay during the grace period, or its management does not care about prohibition of paying interest) it is sinful to make the purchases, and if, when you signed the contract of the interest based credit card, you knew that interest may incur on it for any reason it is also sinful to sign it because it is interest based.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**Subject: Islamic Credit Card**

From: Saad  
Sent: Tuesday, December 28, 2010  
Location: Malaysia

**Question: Islamic credit cards**

Dear Dr. Monzer Kahf,  
Firstly, I would like to apologize for interrupting your work/time with this email. I am Saad, a Mechanical Engineer and am currently in the final semester of Executive MBA (EMBA) out-campus program at one of the universities in Malaysia. As part of the EMBA program requirement, in the final semester, we are required to do Applied Business Research (ABR). I and my colleague are planning to do ABR on Islamic credit card. When I was browsing our university online database, I found that your written journal was made reference in one of the journals. Therefore, we would like to seek for your expertise advice and guidance if you have or know how and where to get the reading and reference materials with regards to Islamic credit card. We would highly appreciate your kind advice and guidance. Thank you.

Regards,

**My Answer:**

Bismillah al Rahman al Rahim  
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Saad  
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh  
Most of claimed Islamic credit cards have certain doubtful areas. Literally all Islamic credit cards that permit installment payment have problems from Shari'ah point of view. Anyway internet is the main source of info in this regards. I have nothing to add.

Wa Allahu A'alam  
Wa Alhamdu Lillahi Rab al Alamin  
Wassalam  
Prof. Dr. Monzer Kahf

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**Subject: Purchasing on Someone's behalf using Credit Card**

From: Ahmad  
Sent: Monday, July 11, 2011  
**Question: purchasing for others on my credit card**

Assalamu Alaikoum Brother Monzer,  
Insha'Allah you are doing well. I have a follow up on the question below from around last year; whether it's permissible to perform a purchase on someone's (company, club, etc.) behalf using a credit card.

If the interest based contract is not in the name of the one purchasing it (I.e. company's name), and a person is just filling out the purchasing order for the company, would he be considered as part of the transaction if interest were to occur?

JazakAllah Khairan,  
Ahmad

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Ahmad

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Buying on the credit card is generally permissible. When you buy for yourself you should limit your purchases to the amount you can pay during the grace period in order to avoid any interest in the future. This requirement relates to one's total behavior as a series of action.

But when you buy for others on other's credit card, you are required only to observe correctness and righteousness in matters of your own actions. What happens to the debt of the credit card is not a matter of your own concern unless you are the decision maker on it. In other words, you are not a part of the Riba transaction unless you are the one who determines the date of payment.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**Subject: Getting Cash out of Credit Card**

From: Alexei

Sent: August 25, 2012

**Question: cash withdrawal by credit card**

As-salaamu 'alaykum,

Dear Dr. Kahf,

My non-Muslim father has given me credit cards (both a Discover and VISA card). It has my name on it and he has given me free use of it within reason, such as food, supplies, etc. He kindly pays the expenses.

I have been avoiding using the card to withdraw physical cash from an ATM because I am uncertain if doing this involves Haram interest. Again, I am simply treating the cards as a gift from my father and I don't ask any questions about it.

However, there is some repair work that may need to be done on my house. The repairman is a trustworthy Muslim and he says it may cost \$325. He only takes cash. Would it be possible for me to go to a Wal-Mart and purchase something (e.g., a snack) with one of the credit cards that my father has given me and opt for the cash back option for \$325? I'm not 100% sure, as I've never used this option before, but it seems that if I purchase something at the Wal-Mart, the

cashier will ask me if I want cash back. If I say yes for \$325, the cashier will then give me \$325 in physical bills along with whatever I purchased.

I can then use the money to pay for the repairs.

Is this allowed in Shari'ah?

Many thanks,

Alexei

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Alexei

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Your use of the credit card for purchases is permissible, in my opinion, regardless of whether your father pays within the grace period and avoids interest or not because the usage of the card, itself for purchases does not generate interest. In fact interest is evil regardless of who pays it or earns it. But withdrawing cash from the machine is tantamount to contracting the bank on interest. It is then you who are making an interest based contract even though it is paid by your father. I fully agree with your judgment that this act is Haram on your part. Of course if you can take cash from stores this cash is considered within the sale and therefore it does not generate interest. It is permissible but I doubt that a store may give you such an amount of cash for a small amount of accompanying purchase. Try it on several purchases.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**Subject: Credit Card debt**

From: Ahmad

**Sent:** December 12, 2012

**Question: huge credit cards debts**

Salam U Alakum Br. Monzer,

I hope all is well with you. I wanted to seek your opinion regarding my current financial situation. I have approximately \$20K in credit card debts which are on zero percent interest cards. They expire later in 2013. I also have an additional \$20K in debt on interest accruing/charging cards (these used to be zero percent).

I really can't afford to pay the debt off and am paying monthly minimum payments.

I have a few choices

- 1) Filing bankruptcy
- 2) Trying to settle the debt.
- 3) Pay it off slowly including interest

From an Islamic point of view, I know I am already in haram (by paying interest on cards) but I am trying to do the right thing and get out of this situation with least amount of haram.

Please provide some guidance on the Islamic position in regard to making the right choice  
Jazakum Allah Keir,  
Ahmad

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Ahmed

Assalamu Alaykumu wa Rahmatu Allahi wa Barakatuh

I think you have made a grave mistake by using credit cards knowing that you cannot pay within the grace period. Then the problem started.

My suggestion is to continue paying the maximum that you can and try to make settlement to reduce some of the indebtedness.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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