

FATAWA CREDIT CARDS 2000-2018

FATAWA CREDIT CARDS 2018

From: Asim

Sent: Saturday, December 22, 2018

Subject: Use of credit card -transfer of balance from one credit card to another.

Assalamu Alaykum wa rahmatullahi wa barkatuhu Dr. Monzer,

I pray to Allah SWT that you are doing well and may Allah SWT bless you and accept your services you have been rendering to His Deen.

I have two questions:

Is the use of Credit card and accepting the cash back points/ rewards which the bank offers if we purchase goods is permissible in our deen if we pay back the money in the grace period (usually 55 days) without paying any interest. What about the contract we have to sign in order to get a credit card - Is it haram or permissible? we are living in a non-Muslim country (New Zealand) and we do not have any Islamic banks or Islamic insurance.

Of course signing a contract with an interest clause is an issue and there are people who claimed it is not permissible. I do not agree with them. Offering such a contract for a Muslim institution is definitely Haram but signing as offered by a conventional institution especially in a Muslim minority country is permissible in my view. The reason is as you mentioned in the question, the contract does not charge interest but give you an option to charge it and pay it or avoid it. It is like offering you to drink milk or liquor. Acceptance such an offer knowing for certain that you will choose the milk is not Haram. Just be sure of yourself that you always pay within the grace period. Points and other rewards are permissible, they do not even come from a Haram source, they come from the commission taken from sellers.

My second question is that when we transfer the balance from one credit card to another as some banks charge 0% percent for 12 months. But when I transferred by balance under such condition and making more than minimum payment required every month by due date to avoid interest, but when I looked at the bank statement, the bank charged me \$0.12 as interest purchase although I have not done any purchasing except balance transfer. Although the amount is negligible (\$ 0.12), Is it haram to pay that small amount also. Please advise me.

If it is not negligible I would say it is Riba under other name. But I suggest that you should object to it and ask the bank to delete it, they usually do.

I look forward to hearing from you soon.

Jazak Allahu Khairan.

Asim

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. Asim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh Please see my answer in red below the questions:

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.Kahf.net; www.Kahf.com/blog
Monzer KAHF

From: Dr. Mohsen
Sent: Wednesday, October 17, 2018
Subject: Online Transactions and Riba

Dear Prof. Monzer,
As-salamu alaykum
Hope you are fine.

Please take the time to answer this query:

Assalamualaikum, is it unlawful to participate in transactions online that entail a change in currency? For example, I live in Singapore, and would like to pay something to a US based website using my debit card. The price listed on the website is US \$100 for example, so when I pay for it, my card will get charged approximately SGD \$140.

Do transactions like this incur riba, due to the foreign exchange in currency? I am not well-versed in Islamic Finance but would like to ensure that my transactions are lawful within the eyes of Islam, InShaAllah. Jazakallah

Kind regards,
Mohsen

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. Dr. Mohsen

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh This is in fact a common and important question. For purchase of goods and service, you may pay using credit card across countries and currencies. In fact, if we understand the mechanism of the transaction we realize that it contains no riba of sale (or of Sarf, i.e., exchange of two currencies). The transaction becomes as follows (interpreted using Shari'ah concepts and language): you appoint an agent to pay on your behalf the \$100, the agent does that and immediately convert the amount to your currency and then you pay you agent. There is no sale of currency done between you and the seller.

On the other hand, forex platform offers different kind of transactions that are based on speculation and on fake sale and buy (only on the internet without reality). That are not permissible in my view> Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Dr. Mohsen

Sent: Friday, August 10, 2018

Subject: credit card for business

Dear Prof. Dr. Monzer, As-salamu alaykum Hope you are fine.

Please take the time to answer this question:

Asslam o alaikum wrb.

I am from India. Is it permissible in Islam to use credit card for business? Means buying product with credit card because it gives discount & time for repayment of money for product. If I buy with cash or debit card it does not give discount so I can't buy low and sell with good profit. I cancelled few credit card because I found that in We sign agreement that I will pay interest if I did not pay bill on time. It is not permissible for a Muslim to commit himself to doing something that Allah has forbidden. In India only riba based bank available. Most of Muslim including me opened/Using saving account & salary account which gives interest because we are Helplessness, powerlessness and used riba based account as guaranty for government scheme and business. Current account does not give interest but deposited amount is benefiting to the bank. They are using money for giving interest based loan.

For job & social benefit & for business in India Muslim to commit himself to doing something that Allah has forbidden.

Question: - Can I keep/ use credit card for business? All Indian Muslim keeping saving account because of compulsion & business & other purposes.

JAZAK ALLAH, ISHAQUE

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. Ishaque

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Using conventional (i.e., issued by conventional banks with a clause of interest if one does not pay on time) credit cards is permissible for business of personal matters provided two conditions are fulfilled: 1) you pay all the amount of the bill within the grace period by the due date since any delay will invoke the interest condition; and 2) you do not use the credit card for cash withdrawal from the machine because interest will then be charged immediately from day of withdrawal. Signing the contract with the interest condition if you do not pay on time is permissible because you will pay on time and avoid this condition being implemented as it is suspended on a matter that is in your hand (paying on time).

For saving accounts, it is also permissible provided the accrued interest is given to Muslim charity (poor and needy or Muslim charitable organizations) in India. This purification donation is not considered Sadaqah but you will InShaAllah be rewarded for keeping your own funds pure and clean. Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Dr. Mohsen

Sent: Friday, August 10, 2018

Subject: credit card

Dear Prof. Dr. Monzer, As-salamu alaykum Hope you are fine.

Please take the time to answer this question:

I work for a person who uses credit card to purchase books

Assalamualaikum Warahmatullahi Wabarakatuhu.

I work for a person who uses credit card to purchase books to sell in amazon and pays interest... as a part of my job even I purchase books sometimes using credit card. I work home based and purchase books from online card option. I came to know its haram. what's the ruling on this kind of job please advise?

I heard that using credit card and paying interest is haram. We use credit cards for purchasing books. Sometimes my boss buys it but I don't know if he uses cash or card and sometimes he asks me to purchase online so we have pay using credit card option only. And I do as its part of my job. I was not knowing that they charge interest if we fail to pay the bill on time and its haram. I told about this to my boss. And he said that no business can be done without credit card coz no one has excess money to buy everything with cash, if its haram to pay then only way to get rid of this is we sell and pay before 30 days and that way we can earn halal. But my concern is, it's up to Allah if he wills he can make sales and sales can go high or drop its uncertain. So every time I cannot ask him if he paid interest or paid credit on time. This is my issue....

1. Is this way of job halal for me where credit card is used to buy the item? Should I quit job? Coz I don't know if he pays the bill before he is charged with interest.
2. I have savings from this salary so is that savings also becomes haram for me?
3. If this sort of job is haram then can I ask him to give me another task only like listing and pricing and not buying so that I don't buy books from card, but again if he buys with credit card and pays me salary for other task then will my job be considered halal???
4. Not all but few corporate / IT company nowadays takes loan and pay interest but as an employee we may not be knowing this so is it permissible to work in such companies as executive or HR???

Please advise.

Jazakallahu Khair.

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.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

As an employee you receive your salary for the work you do. Buying books on credit or on cash and working for IT is not Haram unless you yourself do a Haram thing such as cheating your employer. If the employer pays or earns interest, it is his problem not yours. Buying with the use of credit cards is permissible what is Haram is not paying on time as this allows the interest condition to apply, delaying payment is haram and it is not you who does that.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

FATAWA CREDIT CARDS 2017

From: Dr. Mohsen/www.aboutislam .net

Sent: Saturday, February 18, 2017

Question 1: father uses credit card

What to do if your family members are involved in credit card system?

I am having question regarding Riba. My father lives in UAS, he is a taxi driver. He is a very hardworking person. It's been four years that USA introduced a credit system for taxi drivers. It depends on the passenger whether he wants to pay through credit or not. My father sent money earned through cash in Pakistan. But he used money earned through credit system for his grocery purposes [My sister along with my father also lives there. she has a student loan. She wants to get rid of it. I really didn't have any idea about that they were involved in Riba. I talked to my sister about it. She said that she has two credit cards and she wants to leave them both. She knows it's haram and she will not take interest again as she said that. My father and sister both are bread earner of our family living in Pakistan (me my two other siblings and mother). How can we use that money. [I read an article about Riba in which family can use money if it comes from Riba but for only necessary purposes. In our case my father don't send interest based money to us and my sister works in a hospital but she got involved in credit system through student loan. And they know it's haram. What we are supposed to do? I mean the money they send us is not haram right? What my father should do with interest based money?

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. questioner

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You need to please understand what is Riba and what is the credit card system. Riba is any increase in a debt or loan through time that is because of a time period between taking a loan and paying it. I do not see any Riba in what you described except the student loan which I will come to discuss.

1. Credit cards: this is a card issued by a bank. when you use it the bank pays on your behalf to the seller. The seller gets its money as a price of the sale and this has no Riba. when your father accepts credit card payment, all that means is: the bank pays your father instead of the passenger, it is the exact amount with no Riba involved at all.
2. Now for the passenger and similarly your sister who has two credit card, the issue is a little different: at the end of each month the bank sends a bill to her for all the amounts she asked it to pay on her behalf. If she pays the bank with a certain time called "grace period" she will

not be charged any Riba. this means that as long as your sister pays the bank's bill every month on time she does not have to pay any Riba.

3. If the passenger (or your sister for similar reason) delays payment of the bill beyond the grace period then they have to pay interest to the bank.. that is Riba and too bad..
4. 1 and 2 above means that whatever you receive from father and sister has no Riba at all; it is the pure earning of their hard work as a driver and as a hospital worker. It does not matter whether your father sends you money from cash payments of or from credit card payments of his passengers. Both are Halal and have no interest elements at all. same is what you get from the salary of your sister as long as she does her job with honesty.
5. The student loan that your sister has is certainly interest-based. May Allah forgive her, she did a mistake by taking it. BU WAIT A MINUTE, she may have good reason for that, Allah knows and we do not judge people. DO NOT PASS A JUDGMENT ON HER. She should try to pay it as soon as she can.
6. Just be thankful to Allah that He gave you such good father who cares (because he sent you money from the cash not from the credit card earning as he was under the impression of doubt about it. in fact there no doubt at all about that because he only receive the price of the ride, no difference between cash and credit card payments. And also because He gave you a good sister who cares and sends you money from her work. And be also thankful to them both father and sister.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

FATAWA CREDIT CARD 2014

From: Sharafe

Sent: Tuesday, October 14, 2014

Question: Interest on late credit card payment

Salam!

A brother has been using my account at a store for a while and has saved a lot of money by doing so; last month they paid late and fell into an interest charge, they paid it, but it troubled me a lot and I warned them about it.

This month they paid one day late and the same thing. To save us (see below) and to save them from falling into sin, I have forbidden them from using my account and instructed the company as well not to allow them to purchase under our account.

We have tried to get a credit for the interest charges but were denied.

My concern is: do we bear sins in this case where it was an abuse of a favor? We did of course set up the account in the first place that had a Riba-based clause. Allah forgive us.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Sharafe

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Seating an account with Riba on optional basis, i.e., if you delay settlement and this is in your hand is permissible when other alternative is not available. Of course if the other side is Muslim it is Haram for it to require this condition in the account. This is like my opinion on credit cards in the Western countries.

InShaAllah there is no sin involved as long as you did your best. Nest tie if you give a privilege have your friend give authorization to the company to withdraw automatically all the due balance from their account. Any such delay will then be the responsibility of the company.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Sharif

Sent: Monday, March 02, 2015

Question: Shari'ah Opinion on Affinity Visa(r) Prepaid Debit Cards

Assalam Alaykum Dr. Monzer Kahf,

I pray that you are in good health and high spirits of Iman. My name is Sharif Aly. I'm an attorney working for Islamic Relief USA. I was wondering if I can ask you questions on a potential project we are doing at Islamic Relief to generate income for the organization. I wanted to make sure if it compliant from a Shari'ah' perspective.

When would be a good time to speak to you?

Kind regards,

Sharif

My Answer:

Dear Br. Sharif

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I will be glad to help you and dear Islamic relief anyway I can. Presently I am in Qatar, 8 hours East of Eastern standard time. My home phone is ++974 44792368 and my Skype name is monzerkahf.

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

Wa 'Alaykum Assalam Wa Rahmatullah wa Barakatuh Dear Dr. Monzer,

Jazakum Allah Khayran for your prompt response. May Allah bless you and your family. We know how busy you are and appreciate any time you may have to support our efforts.

I can share with you the program and if you want more information about it, we can schedule a Skype call at your convenience. If you find the information that I provide for you is sufficient, you can respond by email, otherwise, we can schedule more time to discuss.

The program is called, "Affinity Visa(r) Prepaid Debit Cards." Visa provides a service to Non

Profit organizations to raise money by sharing a program to their membership/constituents. They sent the below as a description of the service:

Your organization can raise funds simply by offering your members a custom design Affinity Prepaid Visa Debit Card.

- * Receive a donation for every card and every purchase
- * Provide a valuable financial service to your members
- * Build awareness of your non-profit with a "walking billboard"
- * Provide an easy way for your members to help raise funds

What is a Prepaid Debit Card?

- * Can be used at any VISA debit merchant or Plus ATM
- * Add funds by direct deposit, cash smartphone*, credit card, ACH
- * Must have funds in order to be used
- * Enroll in seconds on-line
- * No credit check, over 99% approval rate**
- * Web access for statements
- * Text*Notification of deposits and balances
- * Visa Zero Liability for Fraud
- * Live operator customer service 24/7
- * FDIC Insured for registered cards

What are the Benefits of a Prepaid Debit Card?

- * Convenient - Use the card for purchases anywhere Visa debit cards are accepted
- * Economical - No risk of overdraft
- * Easy to Fund - Direct deposit of pay, cash at retailers, deposit check via smartphone, credit cards and ACH
- * Financial Control - Track spending and manage money
- * Safe - Funds FDIC insured, VISA Zero Liability for Lost and Stolen Cards

What does my Organization Need to Do?

- * Endorse a prepaid debit card to your members
- * Provide access to your members for card marketing
- * Approve all communications
- * Receive quarterly royalty payments
- * No investment required

Why are people using prepaid debit cards?

- * People who pay for checking accounts
- * People without bank accounts
- * Teenagers and college students
- * For privacy and security
- * For budgeting and control
- * To help their non-profit raise funds

My questions to you are as follows:

1. Is engaging with Visa in this program permissible from a Shari'ah perspective?
2. If so, do you believe it requires a fatwa to indicate it's permissibility to our donors?
3. Do you feel there is anything else we should be aware of that I may be missing?

If you would like to Skype to go over this further, please feel free to reach me. My Skype

address is sharif.

Jazakum Allah Khayran,

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Sharif

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Debt card and pre-paid debit card are well known and do not raise any brows from Shari'ah point of view. They are used by most Islamic banks.

The important thing that you should be aware is that you are encouraging people to deposit funds with visa. These huge amounts of funds earn a lot of interest to visa.

You know this is in a sense the opposite of credit card. In credit card, you spend and pay later, here you pay first then you spend.

The benefits mentioned are all true and correct, these cards are really useful for what they are and for people who do not have established credit.

There is a Shari'ah issue in cooperating with visa for it and getting a piece of its cake. You are raising funds to be used exclusively on interest and then will take part of it! Of course its source is interest earned by visa nothing else. Donation to Islamic Relief from interest sources does not raise a problem. But helping mobilizing funds for interest-based use is a serious matter. I do not recommend it.

If you are cooperating with an Islamic bank, it will be OK, the latter uses them in Shari'ah compliant ways and gives you part of its revenues. But more important you are not helping raise funds for a Haram use. Of course the Islamic banks who issue pre-paid debit cards (they are often called credit cards because they look as credit cards and merchants need not know that they are pre-paid.) receive a lot of funds which they use for their own benefit.

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

FATAWA CREDIT CARD 2013

From: uzma

Sent: Wednesday, September 11, 2013

Question: Credit card benefits

Assalamualaikum,

Is it ok to benefit from all the credit card points I have accumulated. I have always tried to pay off my balance and not be charged interest. I want to know if I can receive an item for all my credit card points or should I donate the points?

JazakAllah for your time.

Uzma

My Answer:

Bismillah al Rahman al Rahim

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

Dear Sr. Uzma

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Credit cards points and other credit cards privileges such as refund of 1% are permissible. These are promotions not interest and they come in part from the revenues charged by credit cards companies to merchants who accept their cards.

Wa Allah A'lam

Wa Alhamdu Lillah Rabb al 'Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Brown

Sent: Wednesday, August 28, 2013

Question: Using Murabahah and Ijarah in credit cards

Dear Dr. Kahf:

I am continuing to study credit card practices by Islamic banks.

I know that some of them rely on Murabahah when they create credit cards. I am confused, however, by some aspects of the practice. First, I understand that cards relying on Murabahah can be used to pay electricity bills or for repair services. I had thought that Murabahah was limited to "tangible good" and could not be used for services.

Credit cards based on Murabahah have an agency agreements allowing the card holder to buy for the bank and on its behalf, take delivery, then sells to himself. This applies to tangible items. There is another contract that also makes a foundation of this kind of card which is similar to Murabahah except that it does not require the above mentioned sequence of three steps (buy, takes delivery then sell). It is the Ijarah (lease). It applies to all services such as electricity and phone (water is a tangible item). The Ijarah allows selling a service even before acquiring it and relaxes the condition of delivery in between because full delivery of a service happens only at the last moment of the period of a service. This means the service is already consumed and can't be sold. Accordingly this kind of credit cards can also be used, because of this authorization to buy services and sell them to oneself, for electricity and phone not for water bills (I argue that the use of this kind of cards for electricity and phone requires prior arrangement before buying the service, i.e. before the beginning of a billing period or in the credit card contract to state that from the beginning of any new billing period of electricity and phone and TV cable, etc. the card holder assigns the contract to the bank and will buy the service during the coming month(s) for the bank and then sell them to itself).

Second, I understand that cardholders buy goods as agents for the bank. The bank then sells them to the cardholder at a mark-up. But apparently this takes place at the time the cardholder signs the agreement with the bank. In other words, the bank and cardholder agree on the purchase before the bank actually owns the good. I thought that Murabahah was only possible when the seller actually owns the good (and has the risk of loss).

The pledge at the beginning of the agreement is only an undertaking not a contract. the contract takes place in application of this undertaking after buying on behalf of the bank and

taking delivery, it is the third step in the above para. The risk during the period of holding the goods on behalf of the bank before selling it to himself (which is a split second) is the bank's. I don't see anything wrong in that. But suppose the commodity is found defective, it is the responsibility of the bank. This risk cannot be avoided or reduced except by manufacturer guarantee or by insurance.

Can you help me understand how these ideas work in the context of Islamic credit cards?

Many thanks

Jay Brown

From: Monzer Kahf

My Answer:

Dear Prof Brown

Sorry for the delay,

Please see my answers below your queries:

Kindest Regards,

Prof. Dr. Monzer Kahf

Dear Dr. Kahf:

This information was very very helpful.

If an Islamic bank uses Murabahah of its credit card (three Islamic banks in Turkey do this, for example), is it traditional to combine Murabahah and Ijarah in the same credit card?

Thanks as always. Jay

My Answer:

It is not traditional as there are no traditions in this regard yet; Islamic banking itself is a new phenomenon. It is permissible and many Islamic banks do this combination of authorization in Murabahah line of credit.

Monzer

Monzer:

You are very generous with your time.

Why don't more banks use Murabahah (and Ijarah) for their credit cards? Is their significant controversy over this approach? From what I have read, this approach is less controversial than Bay' al 'inah and Tawarruq.

Thanks!

Jay

My Answer:

It is only a matter of culture and exposure, I remember we discussed it in Bahrain in 1999 and most Shari'ah scholars were reluctant to take unless the VISA and MC companies accept to change the wording of approval in a way that expresses Murabahah.

Monzer

FATAWA CREDIT CARDS 2012

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

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

FATAWA CREDIT CARDS 2011

From: Ahmad

Sent: Monday, July 11, 2011

Question: purchasing for others on my credit card

Assalamu Alaikum 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

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

FATAWA CREDIT CARDS 2010

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

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

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

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

From: Zarjoon

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

FATAWA CREDIT CARDS 2009

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

From: Hasan
Sent: Wednesday, December 02, 2009

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

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

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

From: Iqbal

Sent: Tuesday, July 28, 2009

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

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

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

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

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

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

From: Gulzar

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

FATAWA CREDIT CARDS 2008

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

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

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

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

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

FATAWA CREDIT CARDS 2007

Subject: Working in the issuing of conventional credit cards

From: Azim Riaz

Sent: Monday, March 05, 2007

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

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

From: Rifai

Sent: Saturday, February 17, 2007

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

Subject: Withdrawing cash using Credit Card

From: Rifai

Sent: Friday, February 16, 2007

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: Having Credit Card

From: Shakeel through Islam on line

Sent: Sunday, January 07, 2007

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

FATAWA CREDIT CARDS 2006

Subject: Credit Card: Allowed in Islam?

From: Gulraiz through Islam online

Sent: Monday, May 22, 2006

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

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 Owing Money on One's Credit Card

From: Ihab through Islam online

Sent: Wednesday, March 29, 2006

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

FATAWA CREDIT CARDS 2004

Subject: Credit Card Cash Back, is it Permissible?

From: Rokhsana through Islam on Line

Sent: Wednesday, December 29, 2004

Question

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

I have a question about the money back offer of the credit card I have a credit card. I always pay it properly so that I do not pay any interest. Credit card company gave me a money back offer. It is like, they will return to me 1% of the money I use. Like if I buy something, which cost \$1000, they will give me back \$10. I like to know can I use that money or is this money Halal for me?

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 Sr. Rokhsana,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

This money that is given back by a credit card company is Halal. it is a promotional gift given by the company as a part of its advertisement and promotion. And using credit cards is permissible as long as you do not invoke the application of the interest clause.

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

Subject: Using Credit Card Money back

The Question

From: Islam on line

Sent: Wednesday, December 29, 2004

Name of Questioner: rokhsana

Salam. I have a question about the money back offer of the credit card I have a credit card. I always pay it properly so that I do not pay any interest. Credit card's company gave me a money back offer. It is like they will return to me 1% of the money I use. Like if I buy something, which cost \$1000, they will give me back \$10. I like to know can I use that money or is this money Halal for me?

Jazakum Allahu Khairan for your constant help

Islamonline.net

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 Sr. Rokhsana,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

This money that is given back by a credit card company is Halal. it is a promotional gift given by the company as a part of its advertisement and promotion. And using credit cards is permissible as long as you do not invoke the application of the interest clause.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Having Credit Balance in Credit Card and Going for Hajj

From: Islam Online

Sent: Monday, December 26, 2005

First Name: Mohammed

Question:

Dear Scholars, As-Salamu'alaykum. I want to know, if a person is having credit balance in his credit card and his company is bearing the hajj expenses. Is he permitted to go for hajj?

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. Mohammed

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

You mean you have money and yet the company is paying for the cost of Hajj, Yes, this is permissible on the ground of giving you a gift, or a fringe benefit of work, the expenses of Hajj. this is of course permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Paying Hajj Expenses via a Credit Card

From: Islam on line

Sent: Sunday, October 24, 2004

Name of Questioner: abdu

Question

can i pay for a relative to go on Hajj with a credit card?

Jazakum Allahu Khairan for your constant help

Yours,

Islamonline.net

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. Abdu,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Yes provided your use of the credit card is itself permissible. It is permissible if the following two conditions are fulfilled: 1) you only use the credit card to the extent that you can pay within the grace period so that no interest is caused by any delay till after this period and the interest clause of the agreement does not trigger, i.e., there is no interest ay ever generate; and, 2) You do not withdraw cash using the credit card because cash withdrawn is subject to interest from the day of withdrawal, i.e., it does not have a no interest race period.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Cash back on credit cards

The Question

From: Souheil

Sent: Monday, August 09, 2004

Jazaka Allahu Khair for your website brother.

I have a question concerning cash back while using credit cards that offer that.

I understand that the use of credit cards is permissible if we stay away from interest bearing activities. What is your opinion on getting percentage cash back on money spent using certain credit cards that offer this option.

Baraka Allahu fik wa zadaka fi mizani hasanatika.

Wassalamu alaykum wa rahmatu'llahi wa barakatuhu,

Your brother in islam,

Souheil

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Souheil

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

This cash back is Halal, it is a gift from the credit card company to promote its business with you.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Selling interest-based credit cards

Question

From: Islam on line

Sent: Wednesday, August 04, 2004

Name of Questioner: Abdul

Country of Residence India

Assalam Alaikum. I'm a pharmacist and I would like to know few things. Will my earnings be Halal if I make some malpractice to get a working license? I'm bald and I look like aged and is it permissible to do hair fixing or hair transplanting that makes me more presentable for the purpose of getting a job is it ok if I work in the credit card sales division of a non Islamic bank in a Muslim country with its directors are Muslims hope a quick reply

Jazakum Allahu Khairan for your constant help

Yours,

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Abdul

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Your use of the word: malpractice"" may not be accurate. Dying your hair, getting hair transplant or even wearing a wig is not forbidden whether to get a job or only to look better. These are not malpractices! Cheating or forfeiting documents to get a job or for any other purpose is forbidden.

Selling interest-based credit cards is prohibited so is issuing them with the interest conditions. If the issuer is a Muslim or non-Muslim does not affect the Shari'ah ruling.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Taking a Loan to pay credit card Debts

From: Islam on line

Sent: Saturday, May 29, 2004

Question

Name of Questioner HAMID

Country of Residence India

Assalamualyikum, I have a question on bank interests. I am in a debt trap which i am finding difficult to come out from. I have many credit cards and phone bills unpaid. I cannot borrow the money from any friend or relative (I have tried). Now I am forced to take another loan from a bank (my only option left) to fend off the recovery agents and serious penalties (which may include prison). My whole life I have ignored my religion but at this point of time I am trying very hard to be a proper Muslim. My religion is my first priority as of now. It would have been easier for me to avail that loan but now since i realized that interest is Haram it is becoming difficult for me to avail any further loan. Please guide me. If your answer is No then please advise me on what should i do about the interest I am paying on my current debt and how to repent on my previous Gunah. Also make Dua for me that Allah makes it easier for me to follow the correct path salaam walaykum

Jazakum Allahu Khairan for your constant help

Yours,

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Hamed

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

If you are really under the circumstances you mentioned, your taking an interest-bearing loan from a bank at a lower interest rate is the lesser of the two evils in addition to avoiding any prison time because of default on required payments. When the choice is between two evils, we ARE REQUIRED TO TAKE THE LESSER ONE IN ORDER TO AVOID THE WORST ONE.

What is necessary is that you must repent to God and pledge within yourself that you will not repeat resorting to interest generating use of credit card and any other interest based transactions. May Allah accept your repentance and help you be always on His strait path.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject accumulating debts of credit cards

From: Islam on line

Sent: Saturday, May 29, 2004 11:35 PM

To: Monzer Kahf

Name of Questioner ASHRAF country of Residence United States

Question

Al-Salam Alikum. Unfortunately during the last 10-15 years I used to spend a lot, I bought everything I need with credit cards. I have a nice house with a pool, nice cars, and everything I need in it. Now, I have too much debt in credit cards. Alhamdulillah I finally woke up from my stupidity. I was told that I don't have to pay ZAKAT since I have debt, but I had this habit of paying 2.5% ZAKAT out of my pay check every 2 weeks despite the debt I have, I also donate money monthly to mosques. The question I have is that I'm thinking of focusing on paying all my extra money to paying off the credit cards, and stopping the Zakah and the donations for a while until at least some of the credit cards are paid. But I'm afraid that GOD will not bless my life for doing that. I will withdraw my 401K money to help paying some.... Please advice me what to do..... And please PRAY Allah to help me pay off my debt and guide me to the right path. Gazakum Allah Khair

Jazakum Allahu Khairan for your constant help

Yours,

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Ashraf

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

1 - Let us deal with this question on two grounds: one legalistic and one moral/ethical. On the legal ground, Zakah is due on the amount left over after spending and paying whatever you pay of the debts if it accumulates to the amount of Nisab over a year. Nisab is approximately equal to US\$ 1000. Debts that are not intended to be paid out of the present funds [in home and in banks whether from pay checks or from any other sources] are not deductible when you calculate the due Zakah. Therefore, if you did not intend to pay all the credit cards debts you may not deduct them from the Zakatable assets. However, if you intend to pay these debts and the payment exhausts the whole amount left over after your expenses you will not be subject to any Zakah payment.

2 - Payment of debts has priority over other uses of funds including charity to mosques and others especially when these debts are interest-bearing. Interest on credit cards is definitely prohibited; it is the most common form of Riba that is prohibited very strongly in the Qur'an and the Sunnah.

3 - The funds you accumulate in the 401K and any other retirement account that is under your ownership are subject to Zakah every year, but the due Zakah on them does not have to be paid out of other resources you may have, it rather can be postponed until you withdraw the funds in this retirement account. Hence if you choose to delay payment until withdrawal, when you

make any withdrawal you are required to make payment of the due Zakah for all the previous years on the amount you withdraw.

4 - On the moral ground, it is always better that if you have a habit of goodness that you do not change it even if you fall under some pressure. I do not recommend you to change the habit of donation and Zakah you are doing now and God will InShaAllah help you and give you more. I also suggest that you must at the same time pay any interest-bearing debts and do not at all let any debt, especially credit cards debts that carry very high rate of interest, accumulate on you. The Qur'an threatens of a war on those who keep dealing with interest transactions and the Prophet, pbuh, mentions that the prevalence of interest (Riba) may invoke a curse of poverty thrown from God on people among whom it prevails.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: paying Zakah by credit card

From: Ibrahim

Sent: Monday, March 01, 2004

Question

Can you please assist me in the following matters:

Q1. Will my Zakah be valid if I give it to a Muslim charitable organization (IDRF); they use about 5-15% of the Zakah for administration cost. From what I have heard is that 100% of the Zakah has to be given to the needy. If not, can I then just add the extra % of the administration to my total Zakah payable, and then pay them. Can I pay them Zakah by credit card?

Q2. Is it permissible to get overdraft protection on one's bank account? I feel banks charge a hefty fee for NSF.

Q3. If a person from the Hanafi school of thought, on whom Qurbani (slaughter) was wajib failed to carry it out for 7 years, how can he make up for it.

Q4. In Canada we have RESP (Registered Education Saving Plan) is it permissible to invest in such a plan. I have attached more info about it or you can visit http://www.hrhc-drhc.gc.ca/hrib/learnlit/cesg/012/001_e.shtml <http://www.hrhc-drhc.gc.ca/hrib/learnlit/cesg/012/001_e.shtml> if you need more info in order for you to give me an answer.

Jazakullah

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Ibrahim

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

I think I answered you questions in the past, may be partially, any way:

1- It is permissible for a Muslim charity to take part of the received Zakah for its administrative expenses as long as it does not take a large chunk. The idea is that such organizations need

these expenses without which they cannot continue undertaking their job. Their job is in fact necessary for the distribution of Zakah and very useful for all the Muslim community. This is the share of ""al 'Amilina 'alaiha"", i.e., the workers on its collection and distribution, that is mentioned in the Qur'an as one of the recipients categories of Zakah

If you decide to give a donation for administrative expenses in addition to the due Zakah and inform the charity of so that it does not make any deduction from the amount of Zakah, it is certainly better and more rewarded although it is not necessary from A Shari'ah point of view

2- Overdraft protection is permissible provided it does not involve you in paying interest on any overdraft amount. Otherwise it is then an interest-based transaction that is forbidden. Now with the internet accessibility to accounts you can manage your account without any need to this very often interest-based service.

3- all charities, whether a Fard (obligation) or not can be made later, and better be. If the delay is excusable there is no sin and if it is not the delay may be sinful. With true repentance, sincere Istighfar, and making up for what you missed. Allah, May He be Glorified, is a lot more forgiving than people think. The Prophet, pbuh, said that: even if you don't sin and ask forgiveness, Allah would take you away and bring people in your place who will sin and ask forgiveness then He forgives them. The Qur'an also mentions that good deeds remove the 'stain' of bad deeds. There is no additional penalty for such an oversight even if it has been done intentionally. Just give a Qurbani donation for what you missed. There are several Islamic charities in North America that make actual slaughtering and distribution overseas in the needy Muslim countries such as Palestine, Somalia, Kashmir and others.

4- It is permissible to participate in the RESP. In Canada, the Muslim Housing cooperative is an authorized depository for it and it makes good investment in the Muslim community, housing and otherwise. What is a must is that you have to select permissible investment for this kind of savings.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

FATAWA CREDIT CARDS 2003

Subject: Going for Hajj While under Credit Cards Debts

Question:

From: Islam on line

Sent: Sunday, November 16, 2003

To: monzer@kahf.net

Subject: Hajj, Credit Cards, Mortgage etc...

Name of Questioner shahla

Country U S

Assalamu Alaikum wa Rahmatu ALLAH, dear fadeelat alsheekh MONZER KAHF; me and my husband planning to go to hajj this year with Allah's help, the situation for us with some credit

card companies, that we borrowed money from them in the past to recover our loss in the stock market, and we couldn't pay all of it back because we lost all of there money and ours, we still have our salary and we are paying most of the debt by paying 30% or 50% of the money we took from them, some took us to court, and after that we ended up settling with them, too. we regret what happen and we ask SUBHANAHU WA TAA"LA to forgive us ,this debt could take years to settle, "several cards " and it's a lot to handle, we are asking Allah's forgiveness. I feel we need to go to hajj and ask ALLAH for his rahma, we did tawba, alhamdu lelah, if we do go will it be accepted? and will it be right hajj! or should we wait? We have the money for hajj, but the Dain is still.

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 Sr. shahla

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If you made settlements wit hall the credit card companies and have now a schedule of payment to go by, it is okay to go for Hajj, but if these are unsettled debts that still accumulate interest, you should start paying these interest-bearing debts before you spend on the Hajj trip because you are not called upon to make Hajj as long as you are under interest-generating debts or under due debts even if they do not carry interest. Going to Hajj while under debts that are not due yet is permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Gifts, Mileage and other privileges of Credit Cards

From: Islam on line

Sent: Tuesday, October 21, 2003

Name of Questioner Babar

Country Pakistan

Question

Assalamualikum I have an question, I am using credit card (VISA) when I buy the products, the card issuing company giving rewards against purchasing through credit card, Now I Got gift voucher from the credit card company (as a reward for buying through credit card) , I am double minded about this please confirm is this gift voucher is Halal or Haram for me thanks for Answer in advance

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. Babar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The use of credit cards for payment for purchases you make is permissible provided you pay the bill within the grace period, so that interest is not generated.

Rewards given by the issuers of the credit cards, like gift vouchers, airlines mileage privileges and refunds are all permissible. They are promotional give away by the company to advertise its business. You can use the gift voucher with no worry as long as you do not deal with the card issuer on the basis of interest.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Using Credit Cards not Certain of Ability to Pay on Time

From: Islam on line

Sent: Wednesday, August 20, 2003

Name of Questioner Salah

Country U S

Question

As-Salamu Alaikum I have been involved in the sin of interest, mainly with credit cards and things of the like. I know this is wrong and condemned by Allah, but out of my weakness I fell into this. I would now like to get out of this, but I am in a large amount of debt. I can not just leave this as I would be sent to jail and have many other legal problems. I have asked Allah for forgiveness and help in this. My Questions is what should I do in the mean time, before this is paid off. What is my status and what can I do? Please any help is greatly appreciated. Jazakum Allah Khair

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. Salah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I realize that buying on credit is a very intimidating bad habit. You have to make it a clear point that you do not charge any thing to the credit card if you cannot pay it during the grace period. In fact it is HARAM TO USE THE CREDIT CARD IF YOU ARE NOT SURE YOU WILL CERTAINLY PAY DURING THE GRACE PERIOD.

You may have to consider consolidating your credit cards debts and refinancing them through your house equity or any other mean because the interest rate on credit cards is very high. Obviously replacing high interest debts for low interest debt is a reduction of Riba and a step in the right direction if your intention is to get rid of it completely.

Pray for God's help in this process and pull yourself together out of Riba. Remember the Saying of the Prophet that means the least sinful kind of Riba is like thirty six times adultery the least of them is having six with one's own mother. Please consult the chapter on Riba in the Book al Targhib wa al Tarhib by al Dhahabi.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Credit Card offering 0% interest

From: Islam on line

Sent: Sunday, August 18, 2003

Name of Questioner emad

Country Jordan

Question:

Assalam Alaikum, I took a loan from a bank to buy some furniture. I feel so bad because I did not realize by then that I am contributing to a "Riba". I still have about 3 years to pay off the remaining amount and I promised my self not to borrow any money any more from banks . What shall I do. Is "Tobah" is enough and what shall I do with the remaining dues I owe the bank. Secondly, I was living in a non Muslim country and used to use credit cards. I had to leave that country before paying off the rest of money which I still owe them. Financially wise I cannot afford paying the rest of the money which I still owe. So what shall I do.? Jazakoum Allah Kol Khair

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. emad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Repentance and seeking God's forgiveness (Istighfar) must be accompanied by exerted effort to minimize both the amount and the period of any existing interest relationship or canceling the contract if you legally can.

The credit card debts you owe for money and goods and services you received is the right of some other people. It doesn't matter whether they are Muslim or not, companies or natural persons, foreign or domestic, their rights must be paid to them. You can't just accumulate debts on a credit card and flee the foreign country you lived in. this is a kind of theft. If you can't afford payment in lump sum, you probably can reconcile with the credit card companies for installment payments and for dropping the interest. There is also bankruptcy procedures for debtors who can't pay their debts that may be pursued if the conditions of bankruptcy apply to you.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Islam on line

Sent: Monday, August 11, 2003

Name of Questioner usman

Question:

dear sir, credit cards offering 0% interest based installment scheme on some products in which u purchase a thing on credit card and the price which the seller said is cash price which is prevailing in the market and divided by 12 months .installment be paid to bank who issue credit card. Is it allowed?

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. usman

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is permissible to use credit cards for any purpose as long as you know you are not going to pay interest on it.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: buying on credit cards while I know I cannot pay

From: farook

Sent: Friday, August 08, 2003

Question:

Assalam Alaikum Dr. Monzer Kahf:

I am in financial problems, and have been for quite a while. I have to pay very high rent 950/mth which exhausts most of my funds. I have a wife and two young children. It is very difficult for us to get by, and I have to purchase many items on credit card. I can't maintain a full-time job because of my health. Therefore, I would like to know if it is permissible for me to take mortgage with interest to purchase a home. My father-in-law is willing to help us with a large portion of down payment. I live in Toronto, Canada.

Also, is there any Du'a for removal of financial difficulty, and acquiring wealth. Your response will be appreciative.

Jazakullah

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. Farook

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You know your situation better, if taking an interest-based mortgage relieves you from hardship and inconvenience, keeping in mind the unavailability of Shari'ah compatible house financing, you may take it. But there is no excuse to buy on the credit card if you know that you cannot pay its balances during the no-interest grace period. You simply do not buy on credit cards! You know there are agencies that extend some help for necessities, especially food and medicines.

There are a few authentic Sayings that give Du'a in such cases please consult the books of the Daily and Nightly Du'a. Some of these are: "Allahumma, Inni A'uthu Bika mina al Hammi wa al Hazan, . . . Wa A 'uthu Bika min Ghalabati al Daini wa Qahri al Rijal," Allahumm Inni A'uthu Bika mina al Kufri wa al Faqr wa A'uthu Bika min "athabi al Qabr," Allahumma Wassi' li fi Dari, Allahumma Wassi' li fi Rizqi," etc.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: International Transactions Using Credit cards

From: Islam on line

Sent: Saturday, July 19, 2003

Name of Questioner Amir

Question:

Assalamu'laikum, The question is about Credit Card usage particularly those involving overseas transactions. I have been informed that since overseas transactions (card usage outside of country of issuance) involve Money Exchange (As-Sarf) coupled with delayed (or deferred) payment by the user, it is Haram. Appreciate your kind help and inputs. Jazakumullahu khairan katheera.

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. Amir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

international transactions in credit cards are permissible provided no other delays are made in payment within the grace period. International credit card transactions involve a contract of sale of a good or service and a Hawalah (transfer) for the payment. When you make the transaction it is a cash transaction between the seller and the buyer and the buyer gets the price cash in the contract's currency immediately (or within no more than three days upon depositing the credit card slips). The buyer becomes a debtor to the credit card issuer on the moment the issuer pays the amount and on the same moment the issuer debits the buyer's account in the buyer's domestic currency. Notice that the exchange (Sarf) takes place at that moment and both payment by issuer and debiting the buyer are the two sides of the one record the issuer makes. There is no doubt that there is a span of days between the day the seller gets the price from the seller's local bank and the issuer paying/debiting but this span of days is not within any of these contracts or between a contract and its execution, this period of time is between the execution of one contract and the execution of another.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Installment Payment & Prize Bonds

From: Islam on line

Sent: Saturday, July 19, 2003 2:34 AM

To: Monzer Kahf

Subject: Installment Payment & Prize Bonds

Name of Questioner usman

Country Pakistan

Question:

Assalam Alaikum 1)is installment payments on credit cards purchase when u know what will be the credit value in total & in installment before purchase. 2)prize bonds earning in shape of draw without losing the original saving amount is allowed or not. it will be kind of you that answer is given in detail so that I will be able to do the right act.

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. usman

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1) Installment sale between a seller and a buyer directly is permissible even if the price of the item is higher than its advertised price as cash. However, even between them (without intervention of a third party, a sale contract must not make the price in an option manner, i. e., the price must not be like this "either 100 cash or 120 on 12 monthly payments. In this regard, the Prophet, pbuh, said: the lowest price applies or it is Riba.

When you by using a credit card, there are actually two contracts: a sale contract between the seller and the buyer that is cash sale and buyer gets its money either electronically immediately or by depositing the credit slip in the sellers bank account like a check (of course there is a deduction of a small commission and we will not deal with it to avoid any confusion). And a transfer (Hawalah) contract in which the buyer ask the seller to collect money from the buyer's agent (the credit card issuer) on the basis a prior arrangement between the buyer and his agent. after these two contracts are executed what is left is the prearranged relation between the credit card issuer and the buyer. this is regulated buy their consensual agreement that gives the buyer a choice of either pay within a given period of time or considers the amount of purchase a loan and pay later on installment or at a future date. Notice that the second choice is a pure Riba (interest) transaction. This is covered by the prohibition of Riba that is very clear in the Qur'an and the Sunnah, being one of the gravest sins.

2) Prize bonds are forbidden, they are Riba bonds because you enter into a lending contract with the bond issuer on the basis of getting a chance to win a prize. Riba is forbidden in all its forms, variable or fixed, with predetermined amount or with an amount that will be known later. Any material benefit in a loan is Riba.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Issuance of Credit Cards Versus Using Them

From: Islam on line

Sent: Monday, May 26, 2003

Subject: Using Credit Card

Name of Questioner Zubair

Country Pakistan

Question:

Asalamo-ailekum, I have got two questions. 1) Is it Halal to use credit card if no balance of payment is made due to pay interest? 2) What is your view for the insurance? If it is a life insurance or child education? Looking forward for your reply. Allah Hafiz

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. Zubair

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1- Issuance of credit cards with interest clause in them is prohibited for any Muslim or in the Muslim land. Several Islamic banks have issued credit cards without interest clauses; these are permissible to issue.

accepting credit cards and using them by any Muslims who have genuine need for them is permissible provided they know for sure that they are both keen and capable of making full payment during the grace period without incurring any interest.

2- Insurance, life and others is controversial. The classical view is that it is prohibited because it contains Gharar (ambiguity with regard to due date and in some insurances amount of the liability of one or more party to the contract). Scholars who belong to this side consider cooperative (mutual) insurance permissible. This is the kind of insurance offered by organizations that have no owners and intend to benefit its members (policy holders) only.

The other view discuss it on the basis of the general objectives of the Shari'ah and the need for insurance in today's world and find that the amount of Gharar is not really that big when it is understood carefully on the basis of actuarial studies and the theory of probability. These scholars find insurance permissible provided it is void of interest (several forms of life insurance policies contain interest). certainly insuring any prohibited activity or item is prohibited too. I support the second opinion.

Of course, there are a few Scholars who consider insurance itself as having elements of interest and gambling and see it forbidden under all circumstances. This view can easily be discarded.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Selling Credit Cards

From: Islam on line

Sent: Sunday, May 11, 2003

Name of Questioner

Question:

Assalam-o-Alaikum! Dear Brother, I am a Muslim living in a Muslim country. I work in a "call centre". Only if you don't know, it's a centre for telemarketing. It's based in a Muslim country and I am an employee there. As we sell products on phone, the product range might include any item available in the (Non-Muslim)market of USA, as we deal with them. So, we will have to sell things like credit cards, insurance etc., or our service for insurance companies, brokerage houses etc. It might include other Haram items that might get into list later on. Is it Halal to sell these items or not, and should I resign if it's not? Could it be the case that I stay there and subtract the portion of my salary that I earn through sale of Haram items but keep it from Halal? I have no other job in queue so I shall have to wait in case I leave this. N.B I have some basic knowledge of Fiqh so please don't hesitate to mention the rules. Jazak-Allah! Wassalam!

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.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Credit cards of conventional banks and financial institutions (I'm only excluding credit cards issued by Islamic banks) are prohibited to issue because they include a Riba condition in case of failure to pay within the grace period. Selling the prohibited cards must be equally prohibited because sale is actually part of issuance. Insurance is not the same as insurance is not agreeably prohibited. One kind of life insurance is unanimously prohibited. It is the interest based kind. other insurances (hazard, cars, health, etc.) are controversial. Some believe in their prohibition on the basis of Gharar and some argue that whatever Gharar that is in them is tolerable because it is not more than what is usually tolerated in similar contracts that are known in Shari'ah. I go along with the second view. Consequently, except for the interest based kind of life insurance selling insurance is permissible. Selling products than contain porno, drinking alcohol or eatable pork ingredients is prohibited. If your job does not require you to personally sell any prohibited substance, what you do in it should then be permissible and you do not need to change it. But living in a Muslim country, I am sure you can InShaAllah find other jobs if your present work requires you t sell prohibited substances

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: RE: Dealing with Banks and having credit cards

From: Islam on line

Sent: Monday, April 14, 2003

Name of Questioner Mona

Country Canada

Question:

Al Salamu Alaikum, I'd like to know if dealing with the bank is Haram. In Canada, dealing with banks is in all aspects of life. Having a retirement saving plan, taking a loan to pay for a car or to start a business. Paying a mortgage to buy a house, using credit card to buy every day's needs. All these dealings are associated with interest. If dealing in interest is Haram, what's the option? I can't just put the money I earn at home and worry that it'll be stolen. No one carries money in his/her pocket or keeps it at home. I asked the Imam in the mosque & he gave me a vague answer. Please I need to have a practical solution for this matter. I believe that bank system here is much better than in my home country in Egypt. If a man wants to get married & buy a house he has to work all his life to manage to do that. Some people can't even do it. While here anyone who wants to do the same thing can go & do it tomorrow. Bank system facilitates life here in so many ways. You can start a business of course if you satisfy certain criteria as having a good credit history among other things. Also I'd like to know if buying shares, bonds or stocks is Halal. Jazakoum Allah

Notes

I know that in Egypt there are so many people who can't find jobs, can't start business, can't get married & can't buy every day's needs. It doesn't really matter how educated they are. Obviously that leads to so many social problems as : adultery, zawag orfy(which is a major problem now in Egypt), stealing & killing. Now I'm not saying we don't have this in Canada but at least, if you don't have enough money, you're not doomed for the rest of your life to stay so. You can take a loan & start a business or take a loan and be a partner in a company or buy stocks or shares. I appreciate your prompt reply. Thank you

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 Sr. Mona

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

First, please relax and have patience; it seems you are either new in Canada or new in dealing with banks! you have rushed too many things together and brushed them with one phrase: "dealing with banks." as alternative of putting your money at home and wait for a thief to come and grab them! That is why probably you got a vague answer from the Imam or you thought of it as vague at least. Please take the following few points and think about them and if you have any further question please send them without any hesitation. You can consult the Fatwa band at Islam on line or my website at www.kahf.net for further info on this matter:

1)- Interest is certainly forbidden in Shari'ah. The Qur'an (2: 279) used the strongest ever warning with regard to this prohibition by declaring a war from God and his Messenger on those who keep dealing with Riba. Riba is any increment stipulated in a loan contract. a loan is giving money with the condition of returning it in the future. This is exactly what is meant by the word Riba that is mentioned in the Qur'an. For this the word interest is used in our current language.

2)- Banks, in Canada as well as in Egypt, offer several services, some of them are interest-based and some are not. instead of keeping your money at home you can open a current account which is not interest-based, pay your bills, by checks or electronically, get your income

deposited in this account either directly or by making a trip to the bank's nearest office. All these services are interest-free.

3)- Getting loans from banks in Canada and from banks in Egypt is forbidden (Haram) because they only give loans that are loaded with interest; certainly the only exception is the case of necessity.

4)- Having credit cards (i.e., signing their contract that include a clause that if you don't pay within the grace period you have to pay interest) and using them are both permissible provided you do not expose yourself to invoking the interest clause. This means you can use them to pay bills and pay within the grace period. withdrawing cash makes interest to begin accumulate from the day of withdrawal (i.e., it does not have a grace period) and delaying full payment until after the due date, both, trigger interest. This means that if you cannot guarantee to yourself complete fulfillment of these two conditions it become forbidden to use credit cards. You know by the way that credit cards charge you a very high interest rate!

5)- Buying a residence with interest-based financing may be permissible under the case of necessity. There are two conditions here too: the family must be in need for a house in consideration to its size, its need to build equity and get settled, close to good schools, etc. and there must be no other alternatives available for financing through Islamically permissible contracts such as a 'lease to own' contract.

6)- Saving accounts and other interest-based transactions with banks, in Canada and in Egypt, are certainly forbidden in our religion and one must not resort to them unless under the necessity rule. In application of the necessity rule one must keep in mind the she is the final judge in determining what is necessary and what is not but such a decision is going to be scrutinized by the Most Knowing Who cannot be cheated or fooled!

7)- Banks, in Canada and in Egypt, give you the umbrella when it is not rainy, they never give you an umbrella when you needed it most. Try to get any kind of loan (to start a business, for a car, for a house or to go gamble in Las Vegas) for a person who is not financially strong! It will never be given and such a person may ends up with the homeless that fill the streets of all big cities in the USA, Canada and to a lesser extent in Egypt only because of the strength of family ties.

8)- Egypt has many social and economic maladies, no doubts about that but its illnesses are not cause by the lack of Canadian or at least Canadian-style banks there. It has plenty of them and only two Islamic banks! Both time and the subject of this Fatwa are not the best space to dwell on these maladies that both you and I know many of their causes anyway.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: A MASJID USING CREDIT CARDS

From: Islamonline.net

Date: 3/11/2003

Name of Questioner Khaled

Country of Origin United States

Question

Aslamu Alaikum, is it permissible for a Masjid (Islamic Center) to pay for its expenses using Credit Cards knowing the limited funding that Masajid nowadays have so they might not be able to cover their credit card bills at the end of the month. Is it, Islamically, permissible to ask people to donate to the Masjid by charging their credit cards, provided we do not know if the donors can pay their credit card in full or not. Does your opinion apply similarly to an Islamic School? Jakum Allah Khair

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. Khaled

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

1- The use of a credit card by a natural or legal person (like an Islamic center) is conditional on a very certain ability to pay in full within the grace period and on complete avoidance of cash withdrawal (because it generates interest from the day of withdrawal). If you are not sure about the ability to pay within the grace period credit cards must not be used because it amounts to borrowing on interest.

Accepting donations on credit cards is permissible. You don't have to enter the hearts of donor's transactions to know whether she/he pays within the grace period; that is her business, none of yours; and the principles is that all Muslims are God-fearing and Shari'ah abiding unless you know it otherwise. It is also permissible to accept donation in the form of charging the Center's purchases on the donor's credit card.

The same applies to an Islamic school too.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: DELAYING PAYMENT ON CREDIT CARD'S BALANCES

From: islamonline.net

Sent: Monday, February 24, 2003

Country of Origin Egypt Country of Res. Egypt

Question

Besmi Allah, I have a question about the use of credit cards. I am an employee I have a good salary and a bank account so I have a credit card yet I asked the bank to keep my saving account as it is and that I pay directly without the bank having to debit my account (It is an option at all banks) and I knew that there is a payment period and after this period there will be an interest for late payment which is calculated according to the amount you used in your card. I do sometimes fall under this late payment period. I am capable of paying my credit card bills at one time if I draft from my account savings, but I do not do that and I am comfortable with the idea of using the credit card and pay it later in installments and with this interest for delaying payment. So I am doing this willingly so my question is this Haram or Halal. Thanks

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.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

What you are doing is certainly forbidden, besides, it is poor judgment!

In using a credit card, it is forbidden to allow for any generation of interest (or late fees that actually take the form of interest as certain cards do not charge interest but charge high late fee to compensate for the interest on money). Interest normally accrues on balances not paid within the grace period and on cash withdrawals from the day of withdrawal. This means that if one uses a credit card, it must be used cautiously so that no cash withdrawals are made and no balances are let unpaid within the grace period. The best way to avoid delay in payment is to opt for authorizing the bank to make automatic withdrawal from your account on the due date.

It is poor judgment because interest you earn on saving account is very small (the present rate is # 0.75%) and you must give it away to Muslim charities because it is forbidden for you to leave it with your money, while the interest you pay on the credit account balance may be as high as 28% and certainly it is in the double digit!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Sending Mother to Hajj on ticket purchased on credit card

From: islamonline.net

Sent: Friday, January 10, 2003

Name of Questioner Mohamed Country United States

Question

Assalamu Alaikum. Dear Counsel, 2 years ago I promised to pay for my mom's Hajj. Due to logistics she did not make it to go. I have lost my job and I lost my house when I divorced my Ex non-Muslim wife. I was without job for 1 year. I financed new house here in the US. I am working hard sending extra money to pay it off so I can be free of the debt. My mom is currently visiting the US and she desires to go to the Hajj. I am in the dilemma, because I wanted to send her but I am afraid from adding more sins to my current house Riba financing. My Mom is 66 years old and she will not understand my point of view. I am afraid to upset her. Could you please advise if I want be sinning by sending her hajj while I am still in debt? Jazakomo Allah kheiran! Assalamu Alaikum.

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. Mohamed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

If you bought the house on interest-based mortgage and you need it for any of the reasons that make a Shari'ah acceptable excuse, there is not sin InShaAllah in buying it even with interest. Hence, if you can send your mother for Hajj, from your contingency money or loans without interest, even by using credit cards for the tickets and other non-cash withdrawals, that you can pay before the end of the grace period so that you will not be involved in interest on the cards, go ahead and send her. Pleasing her, especially at this age is extremely important and obligated by God. Ta'ala. But do not send her with money borrowed on interest and explain it to her because Riba taken without a Shari'ah accepted reason is one of the worst sins a Muslim may commit.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Going for Hajj while under interest-bearing credit card debts

From: islamonline.net

Sent: January 09, 2003

Name of Questioner Mohammad

Country Pakistan

Question

Can a person perform Hajj if he is under debts .I owe some money for credit cards to the Bank. It is about 5 years old. I would like to pay them but I cannot pay them all together. Can I pay them in monthly installments? Also at present I have a car for which I am making payments every month. Can I perform Hajj this year or shall I clear my dues and perform Hajj.

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. Mohammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Interest based debts must be settled before you make Hajj. I can hardly find any excuse for keeping interest based credit cards debts for five years or for buying a car on interest especially if you live in Pakistan as you say. Brother, you have done enough prohibited thing it is time to think of pure and sincere immediate repentance. Sell the car and settle all interest based debts then go for Hajj with the remainder of the money.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Going to Hajj while under credit cards debts

From: islamonline.net

Sent: January 09, 2003

Name of Questioner Ruzaini Country Malaysia

Question

As-Salamu Alaykum, Dear scholars, I read your reply to a question by a father who enquired whether he should perform Hajj or help his son to get married. With me , I am disturbed by the fact that I have a lot of debts to settle i.e., from credit cards to housing loan and others but at the same time wanting to perform the Hajj come the next season. I am in dilemma between settling debts and performing Hajj (as I longed to do this after my Umrah experience). I read that if one dies and there are unsettled debts, the soul will linger and not go up to heavens. Please help to give some advice.

Note: Please also provide help on how to curb spending desires - any Quranic recitations which may help is greatly appreciated.

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. Ruzaini

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

If you have interest-based debts, settling them has priority over going for Hajj or Umrah. You seem to have made Umrah, did you make while you have debts that accumulate interest. Interest (Riba) is one of the worst sins God prohibited in the Qur'an. It is mentioned (2: 279) with a War declared from God and His Messenger on those who continue dealing in Riba. You must avoid what God prohibited before you spend the money on Hajj or Umrah. A non-interest debt does not prevent you from making Hajj.

If you want to curb your expenses, cut your credit card in two halves and throw it away, and don't buy anything on credit at all. This makes you live within your limit. Recitation from the Qur'an does not help you if you insist on not helping yourself. If you fear God and you really long to go to His Jannah, you must obey Him and avoid Riba, interest on loans and credit cards in Riba, no doubt about it at all.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Delaying Hajj until complete payments of credit card debts

From: islamonline.net

Sent: January 09, 2003

Name of Questioner mohamed

Country Sri Lanka

Question

I have kept Niyah to perform Hajj this year, but i am worried about a certain issue, that is I have used my credit card to the full limit actually totally not thinking of the seriousness of it, now i am unable to settle the whole thing in full & monthly I pay a portion, but as the whole amount is not being paid the bank is charging a small interest component to my account. I am

making arrangements to settle the card in full & getting rid of it as soon as possible, but i might not be able to do this before i perform Hajj, I do not want to delay my Hajj as i am not sure whether I will live till next year to perform Hajj, on the other hand I have left instructions with my family that incase something was to happen to me, the first thing they have settle is my credit card after realizing some asset. Will my Hajj be accepted? Please give me your fatwa on this?

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. mohamed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Avoiding what is prohibited is more important than doing what is obligated. God loves that what he prohibited be avoided. Riba is a worst of sins one may make not including denial of the existence and mercy of God. It is a sin for Which God declared a war from Him and His Messenger (the Qur'an 2: 279).

Delay Hajj and settle your interest-based debts. Make clear and sincere determination that you don't deal with interest any more. It doesn't matter small or big amount (although it is normally big because rate of interest on credit cards debts is much higher than on other loans). And write in your last will that if you couldn't make the Hajj in the years to come your family must send someone at your cost before they distribute the estate.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA CREDIT CARDS 2002

SUBJECT: Receiving gifts purchased on credit cards whose holder does not intend to pay

From: fatwae@islam-online.net

Sent: December 19, 2002

Name of Questioner Muhammad

Country Canada

Question

Assalamu Alaykum, 1.my dads friend came from America and they shopped on the credit card and bought my mom and dad gifts with it but they didn't want it because he just uses the credit card but doesn't pay the bills for them but he still gave them so can we wear or give the clothes to someone or will we get sins or him because he forced us to keep them.

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. Muhammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

This person cannot force on you his gifts. You can certainly return them and may be you should not care about displeasing him if he really is what you describe him as a credit card thief. If you are completely sure that the gifts he gave you are bought on credit cards that he does not pay nor intend to pay as an act of taking this money from the credit card company without any right or justification, you should not accept these gifts and you should return them. They are "Mal Haram."

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Buying gold on credit cards

From: fatwae@islam-online.net

Sent: December 11, 2002

Name of Questioner Country

Question

This refers to a Fatwa given by Mufti Dr. Monzer Kahf on 23rd April 2002 under the topic of 'Business' for a question in connection with a network marketing and the question and its Fatwa appears to be vague and ambiguous, I would like to have a clear answer: At the outset, the person who asked the question did not disclose the value of the products and its real market value. What I understand is the products 'Gold Quest International's numismatic gold coins are high priced than its actual market value. Since the company offers a charismatic return the solicitors normally do not care about the value of the product in anticipation of the potential benefit in the future. Since the actual product on sale is not the products but the charisma of the anticipatory returns for each individual who join the chain, I feel that there involves a violation of fundamental norms of Shari'ah for business. Secondly, it is quite clear that those who are buying the product would not at all be for their use but for engaging into the business with anticipation that he would get someone to woo to join him thus registering his returns. It is a common knowledge that many people who joint in this chain would loose their money due to the simple fact that all solicitors would not be able to book 10 people to ensure their returns. If the product with them is worth for the money they spent, there would be no loss for them. The commission received by the upper link-man would definitely involve the part of the loss that sustained by the lower links. Is it permissible in Shari'ah? Thirdly, it is a business that exploits friendship. A person who is not familiar in the business would not have the confidence and credibility to approach a stranger to join him, instead, he would depend his friendship to implant the seed of his business. Since the product is not an essential consumer item, the exploitation of friendship would be considered as unacceptable to Shari'ah. I would appreciate receiving a further clarification on this subject.

Notes: 1. I think the network marketing people misuses you fatwa. 2. I believe Allah will question us if we buy unnecessary products. 3. And Allah also question us for convincing others

to buy this unnecessary product. 4. According to the Islamic Shari'ah, a businessman should have risk of profit as well as losses.

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.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The Fatwa of April 23, 2002 is still valid and these new points you are raising do not change anything in the substance of the transaction and consequently the Fatwa.

However, in response to a clarification that came from another questioner, I've added the following:

"Thank you for the added explanation. It clarifies some points especially that commission is not pyramidic. The issue of commission has only one bearing on the Fatwa that relates to transparency. Once relations and commissions are completely transparent to new customers so they don't think of themselves as lured by honest un-benefiting friends, there must be no problem. Also sale at a price that is a little higher than the market's is not a big deal as long as the difference is not substantial (one third or more, as one third makes it in the bevel of Ghabn according to some schools of Fiqh). Also the social activities of the company is a different matter that does not affect the Shari'ah ruling unless it supports aggressors against human rights of Muslims and others such as giving financial support to the aggressors/occupiers in Palestine.

The important issue in this company is the sale of gold. Gold and silver and currency can only be sold cash (including hading over of money, credit cards, check, bank transfers) and payment and delivery of gold must be done at the same time and at the time of the contract. This is a necessary condition for sale of currencies and gold and silver. It came in an authentic Hadith of the Prophet, pbuh.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Bonuses and Prizes of Credit Cards

From: fatwae@islam-online.net

Sent: December 01, 2002

Name of Questioner R C Country

Question

Dear respected brother(s) in Islam. Asslam Aliykum Wa Rahmatu Allahi Wa Barakatu.

I have a credit card (Citibank) that I used to use to purchase goods. This credit card gives 5% in purchase new vehicle based on the amount of dollars that you purchase. For the last few years, I have been accumulated closer to \$900.00 in purchase points toward a new vehicle. If I redeem this money will be consider to be Haram? Jazaka Allahu Khairan.

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. RC

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Bonuses and prizes given for use of credit cards are permissible as long as the use of the card is permissible. Credits cards usually charge interest on cash withdrawals from the day of transaction and on other purchases from the day of statement unless paid in full during the grace period. Any transaction in which interest is basic is not permissible in the Shari'ah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Handling charges in credit cards

From: fatwae@islam-online.net

Sent: Wednesday, November 27, 2002

Name of Questioner Ahmed Country Egypt

Question

As-salamo Alaikum. I have received an offer from one of the credit card companies with 0% APR for any purchases or cash advance for 8 months provided that I would pay the full amount before the end of the 8 months. There is a transaction fee of 3% of the total amount of the balance with max. of \$40. They account this transaction fee to be towards administrative expenses. My question is whether or not this deal is Halal with the existence of the transaction fee. Jazakum ALLAH khairan.

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. Ahmed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

If the service charge is in the amount of the administrative cost of handling a loan, it is not forbidden because the cost of handling a loan is on the borrower. Cash withdrawals and balance transfers in credit cards are pure loans. Consequently, if this 3% (with a max of \$ 40) is only a one-time charge (not monthly or quarterly), and within the limits of such cost at the competitors or at the same credit card issuer but for other transactions, and the amount of cash and transfers is big enough to make the charge really a handling cost, in contrast with cost of the money loaned (for instance, if the limit on cash withdrawal is 500 each time the effective annual rate become 4.5%; and if as usual there is a minimum of \$ 25 and a max of \$ 40, the effective annual rate becomes 7.5%, these rates hide a cost of money they are not pure cost of handling) , it is then permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Selling credit cards and loans

From: fatwae@islam-online.net

Sent: October 04, 2002

Name of Questioner ahmed Country Egypt

Question

Should I accept a job in an American bank to work as a telesales with a commission?

Notes: Telesales for credit cards and loan

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. ahmed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Credit cards issued by conventional banks may be used in a prohibited way, i.e., with interest and they may also be used without interest. As such, issuing them is forbidden while accepting and using them under the condition of not generating any interest is permissible. Having their sale, on behalf of the bank, as a job is not permissible because you become a part of the issuing complex. Adding selling loans (to use the term loosely) on behalf of the bank is also prohibited because there is no doubt that loans carry interest! And by selling them you become part of writing the contract that invokes the wrath of God as we are told by the beloved Prophet Muhammad as reported by al Bukhari and Muslim.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Accepting credit cards by merchants and the percentage paid to credit cards issuers

From: fatwae@islam-online.net

Sent: September 26, 2002

Name of Questioner Ahmed Country Somalia

Question

First, Assalamu Alaykum warahmatulahi wabarakatuhu? Secondly, I have the following question I manage small Taxi Company, owned by an association of Muslim Brothers; my taxi drivers are obligated to accept Credit Cards by Law. I have to provide, cashing service to all drivers, there are charges and fees to be paid to the Credit Providers (Banks), there are charges, and percentage such as 3% or 3.5% etc that allowed by all Companies for the Bank. If I charge 5% or 6% to my drivers to cover my cost of the machine and labor and total expense will that be consider interest? Is it "Haram"? Please provide an answer in English. Jasa kumu Lah khayr.

Notes : What we are cashing is paper not money in to money, and it is similar to the service you paid to the Hawala exchange and also payroll checks, because these two services you have to pay some percentage of service charge in order to get cash.

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. Ahmed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

The percentage you pay to credit cards issuers is permissible, it goes against the service they provide of securing you payments, and avoiding the problems of forfeited cash and theft and the problem of checks without balance in addition to the promotion your business get by accepting credit cards.

You can charge the same to your drivers unless by doing so you are forcing on them an unjust condition, normally such cost is absorbed by the company but if you make it contractual from the beginning and known to drivers that they either ask their customers to pay an additional 5% when they pay by cards, many businesses do that including many gas stations as you well know, or take out of their tips. in other words, if the contractual relation with the drivers is clear, transparent, and fair, such a condition can be included in the contract.

By the way, credit cards payments is money, very often called plastic money and it is not paper for paper unless you decided to flip history back to the early 1800s.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Declaring bankruptcy to avoid payment of credit cards balances

From: fatwae@islam-online.net

Sent: September 23, 2002

Name of Questioner m z Country

Question

Assalamu Alequm i have benefited from your Fatawa and advice. It is a very useful service. Please continue and Allah gives you barakat in the effort. My question is about some loans on my credit cards. I have borrowed some money on my credit cards in USA. I do not live in USA any more. I want to be able to settle this situation with my creditors, so I won't be held responsible on the Day of Judgment. My creditors have transferred the loans to collection agencies. These agencies are offering me to settle by paying certain percentage of the total debt. I also have a choice of declaring bankruptcy and settle the matter. I am inclined to either make some arrangement to pay as much as i can afford or declare complete bankruptcy. My intention is to fulfill my responsibility according to the law of Allah. My financial situation is not strong. My question is following. What is my option according to the Shari'ah? Should I make an arrangement with the creditors, or should i declare bankruptcy or should I pay the full amount. It is important to note that all three options are legal according to the laws of the country,

where i used to live (USA). I am inclined on declaring bankruptcy. Please advice me, since i am worried about the consequences of appearing at the Day of Judgment with a debt on me. Jazzakallah

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. m z

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Declaring bankruptcy that allows you to get away with no payment at all at a time you can settle and pay part of the debt is not permissible in Shari'ah, it amounts to a fraud. Settling with the creditors or their collection agents on paying any amount up to the principals of the loans, i.e., without accumulated interest, is certainly permissible if you can afford that much. Certainly the principal is due on you in this life or in the Life after, regardless of the religion, ethnicity or citizenship of the creditor, and if you can reasonably pay it you MUST. Otherwise settling on any amount you can afford is the second permissible option. Bankruptcy can only be declared if you are really bankrupt in the sense that you cannot pay your debts and have food on the table to survive at the same time.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Payment of credit card balances and interest

From: fatwae@islam-online.net

Sent: Sunday, August 18, 2002

Name of Questioner Emad **Country** Jordan

Question

Assalamu Alaikum, I took a loan from a bank to buy some furniture. I feel so bad because I did not realize then that I am contributing to a "Riba". I still have about 3 years to pay off the remaining amount and I promised my self not to borrow any money any more from banks. What shall I do? Is "Tobah" enough and what shall I do with the remaining dues I owe the bank. Secondly, I was living in a non Muslim country and used to use credit cards. I had to leave that country before paying off the rest of money which I still owe them. Finance-wise I cannot afford paying the rest of the money which I still owe. So what shall I do.? Jazakom Allah Kol Khair

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. Emad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Repentance and seeking God's forgiveness (Istighfar) must be accompanied by exerted effort to minimize both the amount and the period of any existing interest relationship or cancelling the contract if you legally can.

The credit card debts you owe for money and goods and services you received is the right of some other people. It doesn't matter whether they are Muslim or not, companies or natural persons, foreign or domestic, their rights must be paid to them. You can't just accumulate debts on a credit card and flee the foreign country you lived in. This is a kind of theft. If you can't afford payment in lump sum, you probably can reconcile with the credit card companies for installment payments and for dropping the interest. There is also bankruptcy procedures for debtors who can't pay their debts that may be pursued if the conditions of bankruptcy apply to you.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Use of credit cards and their different transactions

From: fatwae@islam-online.net

Sent: Tuesday, April 30, 2002

Name of Questioner Adel

Country of Res. Egypt

Question

السؤال عن استعمال البطاقات الائتمانية واستخدامها كإجراء في زفيل شراء وهل هو نوع من الربا الذي يردد رهر معاملات الربا بعد
أهاني الله واردد اوضح لي سي ايه ا ال معاملات يتم نهي الي حول تتلى 1 لشراء من ال حال انقلت ج ا رده-2 س ح بم بلاغ
لميه من اليوك هو تمل س داد نهي الي حول تتلى 1- على فترة س م ا ح لمدة 55 يوم لب دوف و ائ د 2- نهي 10 اشهر ب ف ادة واحد
ونص فف ال حاه وار جو من سي اوك مي و نهي ح افر ق ب ييه وبين ه ل ت م من معاملات نظام الي ع الأجل فف لي ق ب ل ات وهل هو
لض انوعا من ليا ارجو

The Question In English:

What is the ruling of using visa card in buying from stores, withdraw money from the bank bearing in mind that repayment will be done first in a period of 55 days with no interest, and then 10 months with 1.5 % interest. And what is the difference between this kind and the bay` al-Ajil that some institutions do here in Egypt?

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. **adel**

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

A- Using credit cards for purchases of goods and services is permitted under two conditions: 1) that you intend to pay within the grace period so that no interest is generated, this include the prohibition of cash withdrawals in most cards because cash withdrawals generate interest even during the grace period, i.e., from the day of withdrawal, and 2) that you can actually pay and you take necessary arrangement for payment on time, one of them may be authorization of automatic withdrawal from your bank account. Because when you sign the contract you pledge

to a choice of either pay within the grace period without any interest or delay and pay interest. Payment of interest is Haram and delaying that causes interest to accrue is also Haram.

B- Deferred sale in Labor Unions may be permissible if it is a true deferred sale. The Shari'ah permits an entity to purchase cash and sell deferred or on installments at a higher price. If this is what is done it is permitted.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: exchange rate in credit cards transactions

From: fatwae@islam-online.net

Sent: April 18, 2002

Name of Questioner Abdul Hameed Country of Res. U K.

Question

AsSalaamu Alaikum. When you buy a product from another country, this obviously involves a different currency. Credit cards allow you to buy in another currency and charge you a "foreign exchange transaction fee" in addition to the corresponding monetary amount in your own currency, is this transaction fee considered Riba?

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. AbdulHameed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

This fee is not Riba. To my knowledge, credit cards companies don't charge fee but charge the highest exchange rate on the day of the transaction settlement, which is also permissible.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Accidental insurance offered by Credit Cards

From: fatwae@islam-online.net

Sent: Tuesday, April 16, 2002

Name of Questioner Ossama Country of Res. Egypt

Question

Dear Sr, I'm asking about insurance, because I have a credit card, they put extra fees on my account as an insurance against accidents. I can cancel this service but I want to know is this insurance right or wrong??? Please advise me about this matter to go on or to cancel this service. Thanks for your cooperation. Yours Ossama

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. Ossama

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Many scholars believe that commercially run insurance (this applies to this accident insurance of the credit card) is not permissible because it includes a great deal of Gharar (ambiguity with regard to whether the amount of the insurance policy will ever be paid, its date of payment if it will be paid and for how long the payment of premium will continue). They suggest that an alternative based on mutuality or cooperation may be permissible if premiums are paid to the cooperative on donation basis (Tabarru').

Several other scholars argue that the amount of Gharar is tolerable because insurance is a contract based on probability. and those believe that commercial insurance is also permissible. I support this view.

By the way, accidental insurance offered by credit cards is usually a lot more expensive than what you can get from other insurance companies!

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Using a Credit Card

From: Live Fatwa Session of Islam on line

Date: Feb 19,2002

Name: Mahmoud

Question: Is it Haram to use credit cards?

My Answer:

In the name of Allah, Most Gracious, Most Merciful.

May Allah's peace and blessings be bestowed on the Prophet Muhammad.

Dear Br. Mahmoud:

Assalamu Alakum

Signing a credit card contract and using it in a way that generated payable interest is Haram. It is then borrowing on interest.

Signing the contract, using it, and making the payments within the grace period and making no cash withdrawals (whenever cash withdrawals generate interest), is permissible because it amounts to a contract that gives you a choice to deal or not to deal with interest.

Allah knows best.

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Using a Credit and Debit Card with avoidance of generating any interest

From: Islam on Line

Date: 2/17/2002

Name of Questioner majid

Country of Res. S A

Question

Assalamu Alaikum Dear Brother, I have and use a check card, which is a debit card, and most of my transactions are done through it. However, wanting to avoid Riba (usury) there is a small none fixed fee, interest, that they charge every month. What's your feedback on my situation and also on using a credit card and paying on time to avoid large interest? Jazakum Allah Khair, Majid

My Answer:

Dear Br. majid

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

- 1) I am not aware of a debit card that charges interest unless it is coupled with another agreement to provide a line of credit, i.e., to charge your account that has zero balance. I need further explanation on this charge that you called "non-fixed fee -- interest." The normal practice of debit cards that I am aware of is that funds (of your purchases) are debited to your account immediately and at the same time credited to the seller, faster than using a check. Please give me more information about this fee. If it is interest, it is obviously Haram.
- 2) I believe that, for a customer, signing a contract of credit cards, and its use that does not generate interest are permissible even with a traditional clause in the contract (usually the application and its accompanying write up) that reads as follows: balances delayed after the grace period will carry interest from the date of the statement and cash withdrawals will carry interest from the date your withdraw. IT IS HARAM FOR THE ISSUER (THE BANK) TO ISSUE A CREDIT CARD CONTRACT WITH SUCH A CLAUSE.
- 3) My reasoning is the following. A credit card is very useful and in itself has no violation of any Shari'ah rule. It is a Hawalah (transfer of debt) in payment to the issuer, on behalf of the purchaser. It has a promise of lending too. While a promise of lending at interest is forbidden for a Muslim to issue, if that promise is conditional on the will and decision of the promisee, it is permissible for the latter to accept it, even with the interest, as long as the promisee knows, and is able to realize de facto, that she/he is not going to let it generate interest. I've been doing that very successfully for thirty years and I've never paid a single penny in interest. What one has to be careful about is two things: a- do not withdraw cash because there is interest from the day of withdrawal; and b- do not delay a balance after its due date. Many issuers offer you the service of automatic payment from your account directly and it will be their responsibility to get the payment on time, it is fault-free on your side. The contract becomes like giving me a choice to do a Haram or not to it and my acceptance of the choice does not mean I accept the Haram.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Using earned interest for paying interest charged on credit cards

From a Life Fatwa Session, Islam on Line on

Date: Feb 5, 2002

Name of Questioner: Hanan

Question:

Salamo Alikom. I live temporarily in the United States, and I save my money in a bank, where they add APR to my saving account each three months. I also sometimes use the credit card and they charge me interest. Can I use the interest I got as Sadaqah, or to give it in payment for the other interest charges?

Answer:

Wa `Alaykum As-Salam Wa Rahmatullah Wa Barakatuh

In the Name of Allah, Most Gracious, Most Merciful.

All praise and thanks are due to Allah and peace and blessings be upon His Messenger.

Dear Sr. Hanan,

1) Interest you acquire from a bank on your savings or other funds is not owned by you according to the Shari'ah. It is still the bank's money although it is accredited to your account. The Shari'ah rule is that any property that unduly comes in the hands of a Muslim must be returned to its owner with an exception to the case where giving it back the owner empowers her/him to do prohibited things. In such a case, you MUST give such money to general Muslim charity, preferably to poor Muslims here or abroad (it is obvious that there is a lot more need among Muslims in the world today than among non-Muslims). This money (from interest) that you give to charity is not considered Sadaqah (charity) from the Islamic point of view because Sadaqah has to be out of your own money. You will, InShaAllah, be rewarded for preserving your own savings from being mixed with this prohibited earned interest. But in all cases you cannot use this interest to discharge your own responsibility, even the interest you contracted to pay.

2) Signing a contract to get a credit card (the application) is only permissible with the condition that a Muslim would not make herself/himself be involved in interest as a result of the use of the credit card. Interest in credit cards normally accrues on cash withdrawal and on delaying payment beyond the grace period (due date of the statement). So you should be careful not to allow interest to accrue on your credit card as it is Haram (unlawful). You cannot pay such interest from the proceeds of earned interest on the saving account because while you legally made your self owe the credit card issuer that forbidden interest you did not become an owner (of the unlawful interest from your saving account) according to Shari'ah.

Almighty Allah knows best

Monzer Kahf

SUBJECT: The Charge for cash withdrawal from machines

From: Islam on Line

Date: 2/2/2002

Name of Questioner M

Country

Question:

In European countries, you can get the so-called Visa or Master card. It can be used for paying in shops, but if it's used to withdraw money from cash points, there would be a charge of 1.5% (i.e. when you receive a statement to repay what you've spent there will be some extra amount

of 1.5% should be added). Is it considered as a Riba (interest) since they don't call it interest in the statement, but just a charge for using withdrawing facility?

My Answer:

Dear Br. M

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

The credit card matter is kind of complicated. Take the following point as a simplification:
1 – A credit card contract has a conditional interest (Riba) clause. Credit cards may be used to pay for purchases and to withdraw cash. The condition is left to the customer to activate. If you pay within the grace period and if you do not withdraw cash there will be no interest. Cash withdrawal activates the interest clause from the day of withdrawal (You missed this part, you can see it on the statement, it is in addition to the 1.5% charge) and leaving a balance in your account activates interest from the date of the statement (not from the end of the grace period).

2 - The above means that while it is forbidden for any Muslim or Muslim Bank to issue credit cards contracts with this condition, and it is forbidden too for any Muslim to sign such a contract if she/he may use it in such a way that activates the Riba clause (by the way it is also much costlier that even direct borrowing from a Riba-based bank), it is permissible to sign such a contract and use the card for purchases only for all Muslims who are sure about themselves to pay within the grace period and not to use it for cash withdrawal (they must be sure of their accuracy and capability of payment on time).

3 - The charge or commission issuers of credit cards take from merchant is permissible, so are the membership annual fees. Further, the problem in cash withdrawal is not the handling fee (i.e., the 1.5% you mentioned) but the activation of the interest clause as mentioned above.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA CREDIT CARDS 2001

SUBJECT: Taking a Credit Card. Signing its contract and using it

From: live Fatwa on Islam on line,

Date: Aug. 8, 2001

Name: Mohamed

Country: United Kingdom

Question:

Taking a credit card is it Haram if you're paying before you get interest?

My Answer

Bismillah wa al Hamdulillah wa al Salatu wa al Salaam ala Muhammad Rasuli Allah,

There are two kinds of credit cards in the world today, conventional credit cards and credit cards issued by Islamic banks (such as Islamic Banks in Kuwait, Saudi Arabia and else where).

The latter kind is certainly allowable and has already been reviewed by respected Shari'ah boards of the issuing Islamic banks.

Conventional credit cards make certainly the overwhelming share of the market. The contract normally contains an interest penalty clause or we may call it an interest optional clause. This is when a balance is not paid in full in the grace period interest will be charged, normally at high annual rates. Additional interest is charged in most kinds of credit cards I know of when cash is withdrawn from the date of withdrawal. So with cash withdraws there is no interest free grace period.

There is no doubt that signing a contract that contains an interest clause that is basic to the contract such as interest in a lending contract, is forbidden.

However, in credit cards we are dealing with a different kind of interest clause. This clause is only invoked by the choice of the user/holder of the credit card. That is why I call it an optional interest clause, because even with this clause you have the option to pay the credit card bill within its given grace period and to abstain from any cash withdrawals since cash withdrawals very often invoke interest from the day of the withdrawal. In this manner the card user would not be involved in any interest, given or taken.

Based on that, signing a contract that gives you an option to deal on an interest basis or to have all of your relations completely interest-free cannot be prohibited in the Shari'ah because the matter is left to your choice and a Muslim will certainly choose not to deal with interest. In spite of the fact that this kind of optional clause must not exist in contracts made between Muslims (this implies that an Islamic bank cannot issue a credit card with such a clause), it is not forbidden (Haram) for an individual Muslim to accept a contract of this kind on the basis of either taking it all with all of its clauses or leaving it all, or on the basis of the choice given in the contract provided that you know **FOR SURE THAT YOU ARE KEEN AND ABLE TO PAY WITHIN THE GRACE PERIOD WITH OUT ANY DELAY AND TO OBSTAIN FROM CASH WITHDRAWALS, IF YOUR CREDIT CARD CHARGES INTEREST ON IT,**

And Allah knows best.

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Accepting credit cards payments

From: dialogue@islam-online.net

Date: 4/13/2001

Name of Questioner Noaman

Country of Res. USA United States

Question:

Assalamu Alaikum, I am starting my own Internet business. There are several questions that I need to be answered in order to help me keep it Halal InShaAllah 1- I setup an Internet site that sells products. Can I accept credit card or debit card orders from customers? 2- Can I sell children's educational software that has pictures and drawings as well as animation? What if this same software teaches Arabic and Islam. Please give me the Shari'ah ruling. Jazaka Allahu Khairan for all your efforts.

My Answer:

Dear Br. Noaman

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

1 - Accepting credit cards in payment for any merchandizes one sells is equivalent to accepting a transfer of indebtedness of the purchaser on another person, who accepts this transfer, the transferee is also known to you as able to pay. THIS HAS NO VIOLATION ON ANY SHARI'AH RULE. Remember we are not discussing issuance of credit cards (here the rule is that a Muslim is prohibited from issuing any credit cards that contains any Riba clause), nor signing a contract accepting to have a credit cards by the customer who uses it (also a Muslim is prohibited from signing any Riba clause unless one is certain that one is not going to let the Riba clause to be activated while no substitute card contract exists that does not contain such a clause), we are only discussing accepting a credit card in payment of the price in a sale contract.

2- Please ask the other question again so that Islam on line can send it to a specialist. My own hunch is that it is permissible to have pictures, photos, and animation in books for education, entertainment, and dissemination of information as long as any porno is avoided in them as well as in printed words.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Dividend and rewards of credit cards

From: islam-online.net

Date: 3/26/2001

Name of Questioner Omar **Country**

Question:

Assalamu Alaykum, I use a credit card to pay my bills and buy things. I use only for convenience and always pay the due amount on time (i.e. I do not pay interest). The type of the card I have is dividend card. They reward you and amount between 0.25 - 1% on all the purchases you made. For example last year they forgive me for an amount of \$150 from the last bill. Is this money HARAM? Gazak Allah Kheira.

My Answer:

Dear Br. Omar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

There is no reason why this reward/dividend money should be Haram. It is a gift from the credit card company to you because you used your card and caused them a lot of profit from the merchants who accept their card. By the way the commission the credit card company gets from mechanist is also permissible. in other word not all their income is from interest, many of them have also annual fees.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

