5428 - Penalty for late payment

the question

The question is, A (Muslim) father pays tution for a Muslim school, and the father is late this month. The school in return has asked the brother to pay a late fee. What is the rulling on this or on late fees in general?

Detailed answer

Praise be to Allah.

It is not permitted to delay what is due to others and take too long to pay it. The person to whom the money is owed has the right to demand his money and to cancel the contract for the remaining time. But it is not permissible for the one who is affected by the late payment to add more to the amount that he is owed, as when a person owes a payment by a specific date and does not pay it, it becomes a debt upon him. And any extra fee taken for the lateness of this debt would be considered riba and is haraam.
The exception is in the case of a penalty that is stipulated as a condition in a construction contract (e.g., for lateness in completing a building or structure), if both parties have agreed to that or it is imposed by a shar'i judge as a deterrent and rebuke for taking other people's rights too lightly. .