97530 - Statement of the Fiqh Council on credit cards and taking fees for them

the question

What is the ruling on credit cards (visa card) from Islamic banks, knowing that they are free of interest? Even if one does not pay at the end of the permitted time. They only take yearly fixed fees for this service.

Detailed answer

Praise be to Allah.

It is permissible to use credit cards that are free of things that are forbidden in sharee'ah, such as charging interest for late payments, or charging a percentage of the money withdrawn, because that comes under the heading of riba which is haraam. But if the bank charges a set fee when issuing or renewing the card as a fee for the services offered, and covering only the cost of those services, there is nothing wrong with that.

The Islamic Fiqh Council has issued a statement – no. 108 (2/12) – concerning non-covered credit cards (i.e., a card covered by money pre-deposited in the card account), and the ruling on the fees charged by the banks.

There follows the texts of this statement:

The International Islamic Fiqh Council, belonging to the Organization of the Islamic Conference, in its eighteenth session in Riyadh, Kingdom of Saudi Arabia from 25 Jumaada al-Aakhirah 1421 AH to the beginning of Rajab 1421 AH (23-28 September 2000 CE).

Based on the statement of the council no. 5/6/1/7 on the subject of financial markets and credit cards, it was decided to give a definitive answer on the shar'i way of dealing with credit cards and

the ruling on these cards in a subsequent session.

And in reference to the statement of the council in its tenth session no. 102/4/10 on the subject of non-covered credit cards.

And after listening to the discussion on this subject by fuqaha' and economists, and referring to the definition of non-covered credit cards as given in statement no. 63/1/7, according to this definition the non-covered credit card is a financial document given by the issuer (the issuing bank) to an individual or company (the card carrier) on the basis of a contract that enables him to buy goods or services from companies who accept it without having to pay on the spot because the issuer of the credit card has to pay according to the contract, and the payment comes from the account of the issuer, then this payment is demanded from the card-carrier at regular intervals. Some of them (card issuers) charge interest on the unpaid balance after a certain amount of time from the date of the bill, and some do not charge interest.

(The council) has decided the following:

Firstly: It is not permissible to issue non-covered credit cards if interest is stipulated, even if the card applicant is determined to pay within the free period.

Secondly: It is permissible to issue non-covered cards if there is no condition of paying interest on the original loan.

Based on that:

(a)It is permissible for the one who issues the card to charge set fees when issuing or renewing a card, because these are fees to cover actual services

(b)It is permissible for the issuing bank to take commission from the company that accepts this card and sells on that basis, provided that the company sells the product by credit card for the same amount as it sells if for cash.

Thirdly: Cash withdrawals by the card carrier are a loan from the issuer, and there is nothing

wrong with that from a shar’i point of view so long as it will not result in interest. Set fees that are not connected to the amount or length of this loan are not regarded as interest.

Any charges in addition to the set charges, such as if the charges exceed the amount required to cover the services offered, are haraam because that is riba which is forbidden in sharee’ah, as was stated by the council in its report no. 13 (10/2) and 13 (1/3).

Fourthly: It is not permissible to buy gold and silver or currency with the non-covered card. End quote.

And Allaah knows best.