242973 - Ruling on using American Express reward points

the question

I want to ask about the green American Express credit card, as it allows me to take as much as fifteen thousand riyals, but I am obliged to pay back the entire amount before the fifth of the coming month, and there is no percentage of the amount charged, but there is a withdrawal fee of 75 riyals for each transaction, and in the event of late payment, there is a fee of 150 riyals for each statement that is issued after the deadline for payment, up to 3 months. The final point is that American Express has now changed from charging a percentage to charging a fixed fee for late payments. Also, what is the ruling on using reward points from this card? May Allah reward you with all good.

Detailed answer

Praise be to Allah.

Firstly:

It is permissible to use credit cards if they are free of the following problematic matters:

1. Stipulating interest or a penalty in the event of late payment.
2. Charging a fee for issuing an “unloaded” (not prepaid) credit card that is higher than the actual costs involved.
3. Charging a percentage as a fee for withdrawals if the card is not prepaid. It is permissible to charge the actual costs only, and anything more than that comes under the heading of riba (usury).
4. Buying gold, silver and currency with an “unloaded” card.

The Islamic Fiqh Council has issued a statement concerning this matter. Please see the answer to question no. 97530.

Secondly:

It is not permissible to use the card asked about, because it involves paying a penalty in the event of late payment, even if the user is determined to pay on time. It makes no difference whether the penalty is a percentage or a fixed amount. Anything that is stipulated in addition to the debt is riba.

According to the statement of the Islamic Fiqh Council:

Firstly: it is not permissible to issue an “unloaded” credit card or to use it, if it is stipulated that interest be paid, even if the one who is requesting the card is determined to pay it off within the grace period.

Thirdly:

You have to stop using this credit card, and repent to Allah for having fallen into accepting riba and paying it if you actually have to pay the penalty.

Fourthly:

If someone puts money in the bank in order to use it to pay off the credit card, then in effect that is a loan to the bank, so it is not permissible to accept gifts or rewards from the bank, or from the one who is cooperating with the bank, because that is a gift in return for a loan, and thus is included in the hadith, “Any loan that brings a benefit is riba.”

See: al-Manfa‘ah fi’l-Qard, p. 461, and the answer to question no. 147775.

Based on that, it is not permissible to collect reward points, unless that is done in order to get rid of them by giving them to the poor or needy, as is also to be done with interest, but one must also stop dealing with them, as mentioned above.

And Allah knows best.