101947 - Ruling on Mubaarak credit cards

the question

What is the ruling on Mubaarak credit cards from the National Arab Bank?.

Detailed answer

Praise be to Allah.

There is nothing wrong with using credit cards that are free of the following shar'i reservations:

1 – Stipulating that interest or a penalty be paid in the event of late payment.

2 – Taking a percentage of withdrawals if the credit card is not covered. It is permissible to take a set fee for work only; anything more than that is riba.

3 – Buying gold, silver and currency with a card that is not covered.

See the statement of the Islamic Fiqh Council on this issue in the answer to question no. 97530.

We have not studied this particular card, but Dr Muhammad al-'Usaymi (may Allaah preserve him) was asked about it and he replied:

I stated that it is not permissible, because there is no reason for the extra monthly charge which is in addition to the actual cost, except the loan taken through the card, and that is the essence of riba. Moreover, it imposes a penalty on the one who is late in paying, which they call a fee for late payment, which is riba that is forbidden in the Qur'aan, even if they claim that it will be donated to charity. The Messenger of Allaah (peace and blessings of Allaah be upon him) was in the most urgent need of money to give to the poor and needy among ahl al-suffah, but he abolished all the riba of the Jaahiliyyah. I warn myself and my brothers to beware of the traps of the shaytaan, especially with regard to riba. One of the main ways in which riba was introduced to the Christians was the imposition of riba for late payment of personal loans. And Allaah is the One Whose help

we seek. End quote from the website of Shaykh al-'Usaymi.

(in Arabic: http://www.halal2.com/ftawaDetail.asp?id=393)

He also said:

If it is as the questioner described then it is haraam. I reiterate that the bank will charge a monthly fee from the customer under the name of bank charges. Undoubtedly charges for cards which offer loans should be based on the actual work involved for the issuer, which is the bank, and it is not permissible for it to make a profit from those charges, because the loan that is given through the card will be a riba-based loan if the bank charges an administrative fee that is greater than the actual costs of the work done. I call upon my fellow Shaykhs and muftis who have ruled that it is permissible to recant those fatwas, because riba is haraam and it initially started in the kaafir west through such charges. And Allaah knows best. End quote.

(in Arabic: http://www.halal2.com/ftawaDetail.asp?id=8215)

And Allaah knows best.