1231 - It is not permissible for the vendor to charge extra to the one who makes late payments

the question

I would like to ask this question concerning my business, I usually sell cars and finance it by islamic law which mean i dont charge any interest,but to brotect my self i usually charge a late charge fee if they dont pay on time,please advice me is this halal or haram?

Detailed answer

Praise be to Allah.

This extra fee that you are charging for late payments from the purchaser is the essence of ribaa. Hence when Allaah stated that the ribaa which the people of the Jaahiliyyah used to charge when the debtor delayed payment, when they would charge the debtor more in return for a respite, was forbidden, He commanded that the debtor should be given a respite without further charges being made. Allaah said (interpretation of the meaning):

“And if the debtor is in a hard time (has no money), then grant him time till it is easy for him to repay; but if you remit it by way of charity, that is better for you if you did but know” [al-Baqarah 2:280]

And Allaah knows best.