# 286050 - Ruling on using a credit card which has riba-based conditions in order to build a credit score and thus reduce the cost of insurance premiums

**the question**

I am an international student in XXX . My question is, can I use a credit card with the intention of building a credit score? Here a good credit score is a major factor in calculating insurance premiums, e.g. auto insurance and health insurance etc. Without any credit score the insurance companies charge us twice or thrice the amount with the same level of benefits. I am talking about the minimum insurance scheme that we must buy to obtain a legal permit to drive. Having a good credit score will not give us any extra insurance benefits other than paying the same amount as those who do have a good credit score. To clarify my situation further, I do not need a credit card for any other reason as I have yet to use one (this is my third year in US). Also I am aware of Fatwa # 97530 on your website. FYI, all credit card contracts here include the payment of interest on the principal amount after a specified time.

**Detailed answer**

Praise be to Allah.

It is permissible to use a credit card if it is free of the following reservations:

1. Stipulation of interest or a penalty to be paid in the event of late payment
2. Charging a fee for issuing a non-prepaid credit card that is greater than the actual costs
3. Charging a percentage of withdrawals if the card is non-prepaid. It is permissible to charge the actual cost only; anything more than that is riba (usury).
4. Buying gold, silver and currency with a non-prepaid card.

This Islamic Fiqh Council has issued a statement to that effect. Please see the answer to question

no. 97530.

If the credit card is free of the reservations mentioned above, but there is a stipulation of a penalty in the event of late payment, then some scholars regard it as permissible to use such cards in the West, when it is not possible to do some transactions without a credit card. We put the following question to Shaykh Muhammad ibn Saalih al-'Uthaymeen (may Allah have mercy on him):

Credit cards include a riba-based condition whereby if I delay payment, they will impose on me a penalty, but where I live in America it is not possible for me to rent a car or a shop or avail myself of many public services without a credit card, and if I do not use a credit card I will experience unbearable difficulties. If I commit to paying off at a certain time, so that I will not have to pay interest, does that make it permissible for me to use this card in the difficult situation in which I am living?

He answered as follows:

If the hardship is definite, and the likelihood of delay in payment is remote, then I hope that there is nothing wrong with it.

Question: does the stipulation of interest (riba) render the contract invalid or not?

Answer: If there is an invalid condition in the contract, it does not render the contract invalid for several reasons:

1. Necessity
2. Because it is not going to happen, because the one who is signing this contract thinks it most likely that he will pay on time.

Because the individual thinks it most likely that he will pay on time, and the condition is not going to happen (he is not going to delay payment), and because it is a matter of necessity – and this last point is the most important – I hope that there will be nothing wrong with this, because we have a definite matter, which is necessity, and we have an uncertain matter, which is delay in payment. So giving precedence to that which is definite is more appropriate. And Allah knows

best. End quote.

What appears to be the case from your question is that you have no need to use this credit card, and this is by the grace of Allah to you.

If that is the case, then it is not permissible for you to have the card issued or to use it in order to build a good credit score so as to reduce insurance payments. This need can be met by spending (extra) money, and money may be spent to protect one’s religious commitment.

So long as an individual is not faced with extreme hardship that he cannot relieve except by using a haraam credit card, it is not permissible for him to use it or have it issued, especially if it involves paying extra fees (greater than the actual cost, which is regraded as riba) for issuing or renewing the card, or making withdrawals, because riba is not permissible except in cases of necessity.

If it is possible to use a prepaid card, then there is nothing wrong with it, because that is not a loan and does not involve any riba-based conditions, and there is nothing wrong with paying fees for it, as we have explained in the answer to question no. 148028 .

This applies if it can be used to build a good credit score and will help to reduce insurance premiums; in this manner you can achieve what you want without doing anything that is unlawful.

And Allah knows best.