THE USE OF CREDIT CARDS

Q:30- Kindly throw some light on the use of credit cards, which are floating in the market. Majority of these cards belong to professional banking institutions, such as American Express, City Gold Card etc. However, some cards are issued by companies such as Diners club etc, which are not themselves banking institutions. Please explain the ruling of Shariah about both these cards. In your reply please cover both the aspects of using credit cards, first as holders of the card, used to offset the purchase price and second, when we accept these cards as sellers. (Muhammad Salman, Karachi)

A: The use of credit card by a purchaser is allowed in Shariah, no matter whether the card is issued by a banking institution or some other company. However, the following points must be borne in mind in this respect:

(i) The best way of using these cards is to open an account wherefrom all the amounts owing are debited by the issuing company to avoid the possibility of default which may in some cases, carry the risk of interest.

(ii) If the system of direct debit is not arranged, one must always be careful that he pays the bills within the stipulated time without fail, so that interest may not be imposed upon him.

(iii) The annual fee paid by a card-holder to the card-issuing company is not interest, rather it is a fee charged for certain services rendered by the company for the benefit of the holder that is why it is charged irrespective of the amount actually spent by the holder.

The second question is whether it is permissible for a seller to accept credit card. This question has been a point of debate between the contemporary scholars of Islamic jurisprudence. Some of them are of the view that the amount charged by the card-issuing company to the shopkeeper is analogous to interest. They say that it is equal to discounting a bill of exchange, hence not allowed in Shariah.

However, some other scholars are of the opinion that it is not interest. On the contrary, it is a fee charged by the company for certain efforts undertaken by it. Firstly, the company has to do a lot of work for the benefit of the seller. Therefore, the commission charged by it is similar to the commission of a broker which is undoubtedly permissible. This commission is different from discounting a bill of exchange, because the rate of discount in a bill of exchange is always tied 'up with the period of its maturity, while the commission charged by the company from the merchant is not so linked. This commission is determined irrespective of the time on which the card-holder shall pay the amount to the company. Therefore, it is just like a commission charged for brokerage services.

In my personal opinion, the second view seems to be more preferable.

Contemporary fatawaa