



Fatwa no. 5832:

Q: Some companies issue cards with a set loan that the borrower can present at any bank and receive the specified loan amount on the card. The bank, in turn, contacts the company which issued the card. This loan is deferred for a certain period mentioned on the card, and if the borrower repays the money before the set period ends, there is no penalty on him. However, if he is late in repaying, he is fined an extra 1%, and some companies give money in return for this service upon delivering the card.

A: If the case is actually as mentioned, that it is agreed upon if the borrower

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repays the loan before the set period he is not fined, and if his payment is delayed he is obliged to pay 1% extra, this is a Riba-based contract involving Riba Al-Fadl (usury of excess); the extra money to be paid, and Riba Al-Nasi'ah (usury of delay, conditional excess for delay of payment) which is the fine for delay. Similarly, if the company pays money to receive an extra percentage for such service, it is evidently Riba.

May Allah grant us success! May peace and blessings be upon our Prophet Muhammad, his family, and Companions!

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