THE ANNUAL FEE CHARGED ON A CREDIT CARD

Q: 17- 'The scholars of Fiqh Academy have approved the use of credit cards as reported by Arab News. (15 May).

As you know, banks charge a fixed annual fee for credit cards use. Can I ask the bank to issue a credit card to me and offset their annual fee against the interest which I do not take from them? (Muhammad Salim Desai Alkhobar, Saudi Arabia)

A: The report of Arab News is not correct. In fact, the Islamic Fiqh Academy, after a preliminary discussion on the issue of credit cards, has deferred the matter to the next session without adopting a specific resolution in this respect.

However, in my view, the annual fee charged on a credit card cannot be termed as interest or riba. In fact, it is a service charge claimed by the issuing bank from the card holder against the different services provided by it. That is why the amount of this annual fee is never linked with the actual amount paid by the bank to the merchants on behalf of the card holder. This annual fee is charged even if the card holder does not use the card throughout the year. The? fee charged is a lump sum irrespective of the actual amounts of purchases. Moreover, the annual fee is so nominal that it has no relation to the prevalent rate of interest. Practically, the issuing bank or institution has to provide different facilities to the card holder, and the annual fee is not more than a reasonable charge for such services.

It is thus clear that the annual fee for the credit card is neither interest nor any impermissable charge according to Shariah, and it is a valid charge for the services rendered. Therefore, it will not be permissible in Shari'ah to offset this annual fee against the interest accrued to the card holder in the same bank. The reasons are twofold. Firstly, it is not permissible in Shariah to open an interest bearing account. Surplus money should always be deposited in a current account where no interest is receivable.

Secondly, if somebody has deposited his money in an interest bearing account erroneously he cannot use the amount of interest for his own benefit nor can he use it to settle any rightful claim against him. Since the annual fee of a credit card is a rightful claim against the card holder, he cannot set it off by the amount of interest accrued on his account.

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