

# **UJRAH CREDIT CARD: A PERSPECTIVE FROM SHARIAH ADVISORY COUNCIL, BANK NEGARA MALAYSIA**

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## **Abstract**

*The demand for Islamic banking products in Malaysia is increasing over time, and this includes the demand for Islamic credit card products which are considered as an alternative to replace conventional credit cards in the market. Several Islamic banks in Malaysia currently issue Islamic credit cards based on the ujah concept. According to ujah concept, the bank will charge cardholders an administration and maintenance fee (ujah) for their Islamic credit card. However, the use of the concept of ujah in Islamic credit cards has raised several Shariah issues and requires a solution by the Shariah Advisory Council (SAC) Bank Negara Malaysia (BNM). Among the issues are the necessity to use of the ujah credit cards, the benefits of takaful protection for credit card holders in Islam and rebates (ibra') in the form of cashback on credit card annual fees. BNM's Shariah Advisory Council is a committee that plays the role of safeguarding and ensuring that the bank's activities as a whole are based on Shariah principles, whether in the field of muamalat, services offered and relationships with other banking institutes to obtain the best profits and investments. Continuing from this issue, the purpose of this study is to examine the context of Islamic credit cards based on the concept of ujah, to highlight Shariah issues concerning the practice of ujah in Islamic credit card operations, and to examine the role of SAC BNM in resolving such issues through resolutions issued based on usul al-Fiqh and maqasid al-Shariah analysis. This study applies a qualitative research approach in which the data in this study was obtained from secondary sources that is through a literature review approach. Data were collected from classical manuscripts, modern literature, journals, books, and SAC, BNM Shariah resolutions. Meanwhile, data analysis was done by using content analysis method. The results of*

*the study found that the SAC BNM has complied with the appropriate standard and criteria in determining the ujrah-based credit card products to comply with Shariah. This study provides guidance to the SAC BNM committee to take into account the perspective of usul al-Fiqh and maqasid al-Shariah in overcoming Shariah issues related to Islamic banking and finance products in Malaysia.*

**Keywords:** *Islamic credit card; Ujrah; Shariah Advisory Council, Bank Negara Malaysia*

## Introduction

The use of credit cards in payment systems has expanded widely in most countries including Malaysia as it provides a convenient payment method for cardholders. Credit cards provide flexible credit for consumers to meet both expected and unexpected daily spending needs. In addition, the credit card also offers a flexible repayment method. Consumers can spend up to the limit set by the financial institution. Nowadays, credit cards are no longer considered just a lifestyle, in fact it is a necessity for daily affairs. Furthermore, the credit card provides an element of security as the cardholder does not have to carry a certain amount of cash that is vulnerable to dropouts or theft for any purchase transaction especially for high priced transactions. Therefore, credit cards are often used in payment systems globally because consumers are more comfortable making payments using credit cards instead of physical money. With the advancement of technology today, credit cards provide a distinctive role that is absent on physical money to make purchases online (Kassim, S., n.d.). Zywicki (2000) is of the view that the main use of credit cards today is as a medium of transaction and not as a source of credit (Zywicki, Todd J., 2000). This is because of the two main things that credit cards allow individuals to maximize their cash balance, thus allowing them to turn cash on hand into assets that provide higher investment returns, as well as to be saved to ensure the existence of cash in needy situations. Second, credit cards are easier to use as a payment processing medium than cash.

At the beginning, Islamic credit cards are based on the concept of bay *al-'Inah*. However, contemporary and classical Islamic scholars, particularly those associated with the Hanbali, Maliki, and Hanafi schools of thought, have criticized this concept. As a result, several Islamic banks in Malaysia have offered perceived superior alternatives and expanded credit card use through the concept of *ujrah*. However, when implementing an Islamic credit card concept based on the concept of *ujrah*, several Shariah issues arise and must be resolved. Among the topics discussed are the necessity of using credit cards in Islam based on the concept of *ujrah*, the benefits of *takaful* protection for credit cardholders in Islam, and cashback rebates on credit card annual fees. This study will examine the history of Islamic credit cards based on the concept of *ujrah*, the Shariah issues surrounding the practice of *ujrah* in Islamic credit card operations, and the role of the SAC BNM in resolving such issues through resolutions issued based on *usul al-Fiqh* and *maqasid al-Shariah* analysis. This article is divided into several main sections which include debates on the structure of *ujrah* credit cards, the role of the SAC BNM, Shariah resolutions of

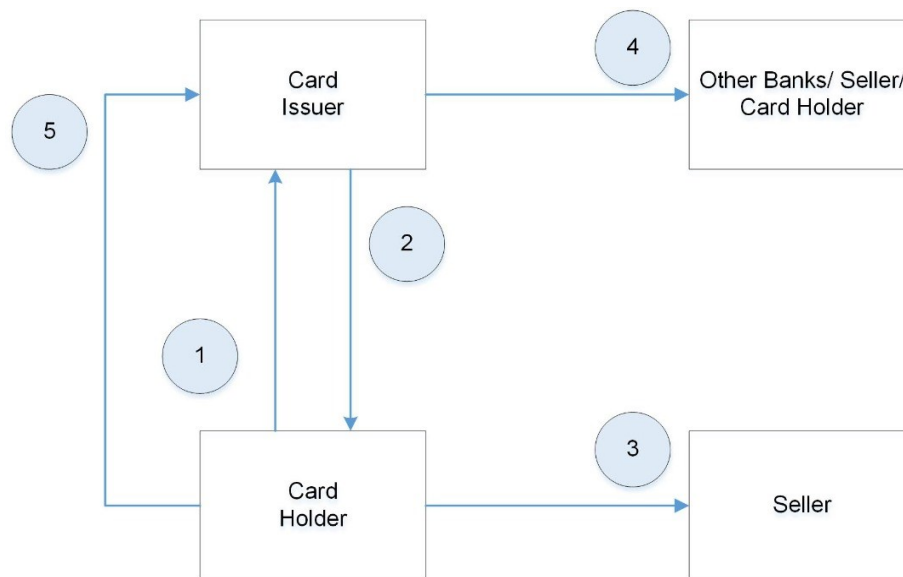
SAC BNM on Shariah-compliant credit cards and analysis of the Shariah Resolutions of SAC, BNM related to Shariah-compliant credit cards.

## ***Ujrah* Credit Card Structure**

Usually, each credit card transaction will involve four parties namely; cardholders, card issuers, vendors and clearinghouses such as Mastercard and Visa, which are responsible for processing payment claims made by the seller and also channeling the payment from the card issuer to the seller. The use of the Mastercard and Visa network by each financial institution is not free, the financial institution has to pay certain charges to Mastercard and Visa depending on the agreement of both parties. While the seller also benefits from this facility which facilitates their business operations, the seller has also agreed to pay a sum of money (Merchant Discount Fees, for example at a rate of 2%) for each transaction to the card issuer for that benefit.

Cardholders are the biggest beneficiaries with cashless payment facilities that guarantee the security of their cash as well as various other benefits such as shopping convenience, reward points, rebates, discounts, preferential treatment at certain places such as airports and so on. All these benefits are valuable and the card issuer deserves a return on the services provided. For conventional card issuers, the return on this service is taken from the interest charged from the loan given to the cardholder. However, the Islamic card issuer is based on the *ujrah* concept, the return is from the service charge known as Yearly Facility Charges (YFC) which is imposed on the facilities provided in each card. This is the primary distinction between *ujrah*-based Islamic credit cards and conventional credit cards. The YFC is a fixed annual fee and is not subject to the amount of money advanced by the card issuer to fund retail transactions and cash withdrawals by the cardholder. The Diagram 1.1 below explains the concept of *ujrah* used in Islamic credit cards:

Diagram 1.1: The Credit Card Structure Based on the *Ujrah* Concept



**Credit card structure based on the *Ujrah* Concept**

Step 1: Cardholders apply for an Islamic credit card:

- i. In exchange for the services, benefits and privileges as a cardholder, the cardholder agrees to a fixed payment referred to as the Yearly Facility Charge (YFC) based on the *ujrah* concept. YFC is set according to the type of card regardless of credit limit such as “Gold”, “Platinum”, “Infinite” and “World Card” which has various types and number of services, benefits and privileges that also include credit limits to be used during retail purchases, advance cash, balance transfer or other method of use specified by the card issuer.

Step 2: The card issuer issues an Islamic credit card to the cardholder:

- i. The cardholder is entitled to all services, benefits and privileges provided under the Islamic credit card and is obliged to pay YFC every month.

Step 3: The cardholder uses the card:

- i. Cardholders enjoy services such as network & facilities provided by the card issuer, discounts and special privileges at all participating vendors, privileges at the airport etc.
- ii. The cardholder makes retail purchases from the seller, withdraws cash, transfers balance and others.

Step 4: Card issuer responsibilities based on cardholder usage:

- i. The card issuer pays to the seller and may reclaim the said amount from the cardholder. The amount paid by the card issuer is the purchase price that the cardholder should have paid to the seller, however the responsibility to pay the price has been transferred to the

card issuer. Thus, the cardholder no longer has to pay the purchase price to the seller, instead the cardholder only owes the purchase price to the card issuer. In this situation there are card issuers who consider it to be "*dayn*" and some consider it to be "*qard*". However, whether it is *dayn* or *qard*, the YFC imposed is not subject to the *dayn* or *qard*.

- ii. The Card issuer provides cash based on the *qard* principle when the cardholder makes a cash withdrawal from an ATM /counter.
- iii. Other methods of use as determined by the card issuer from time to time such as balance transfers and cash withdrawals from other financial institutions.

Step 5: The cardholder makes the payment:

- i. The cardholder is required to pay the YFC subject to the rebate (*ibra'*) given by the card issuer based on the guidelines set by BNM in the Credit Card Guidelines-i.
- ii. The cardholder pays the amount used (purchase price, cash withdrawal and/or others) below the approved credit limit for the card.
- iii. Apart from that, the cardholder will have to pay other charges if applicable such as Cash Withdrawal Fee, Foreign Currency Conversion Fee for overseas transactions, *ta'widh* and others (if any).
- iv. Payment can be made either in full or a minimum of 5% of the total outstanding balance each month.

## The Role of The Shariah Advisory Council, Bank Negara Malaysia

Pursuant to Section 51 of the Central Bank Act 2009, the Shariah Advisory Council (SAC) is the authority to determine Shariah law for the purpose of Islamic financial business. The Muslim jurists (*fuqaha'*) term the Shariah Advisory Council as *al-Raqabat al-Syar'iyyat*. Hammad (2005) defines the Shariah Advisory Council as a committee that oversees and ensures the activities of the bank as a whole to run based on Shariah principles, whether in the field of *muamalat*, services offered and relationships with other banking institutes to obtain the best profits and investments (Hammad, M.K., 2005). However, the detailed definition of the Shariah Advisory Council is presented by Muhammad Akram (2012) as an independent body composed of Muslim jurists who specialize in the field of *fiqh al-Muamalat*, and entrusted to oversee, supervise and monitor the activities of Islamic Financial Institutions to ensure compliance. and the principles of Shariah law (Akram, M., 2012). The decisions and opinions issued by the council are also in accordance with the needs of the banking institution.

In Malaysia, a two-tier Shariah governance structure has been introduced. It consists of the SAC of BNM and the Shariah Committee (SC) established in each Islamic financial institution. The SAC is composed of economic experts who are also experts in the field of Shariah. The SAC has a higher position compared to the Shariah Committees in banking institutions. With reference to Section 58 of the Central Bank Act 2009, if there is a difference in decision between the SAC and the SC, then the decision of the SAC shall apply. The provisions of the Islamic Financial Services Act 2013, among others, stipulate that Islamic banking business is only managed by a licensed Islamic bank. This 2013 Act also states that BNM will make a recommendation to grant licenses to Islamic financial institutions to enable them to operate legally. But at the same time, the Minister of Finance will also not issue the license unless the main conditions are met. This condition, among others, states that the Islamic banking operations to be carried out are not involved with any elements that are prohibited by Islam. In fact, Section 28 (6) of the Islamic Financial Services Act 2013 stipulates that any individual who fails to comply with this condition may be imprisoned for a term not exceeding 8 years, fined not exceeding RM25 million, or both. Accordingly, a Shariah Advisory Committee must be established to achieve the objectives and goals of an Islamic financial institution, namely as mentioned in Section 6 of the Islamic Financial Services Act 2013, which is to promote financial stability and Shariah compliance and protect the rights and interests of services and Islamic financial products. Pursuant to Section 51 of the Central Bank Act 2009, the SAC is the authority under BNM responsible for ensuring Shariah law for the purpose of Islamic financial business. Whilst also Section 30 (1) of the Islamic Financial Services Act 2013 appears to require all Islamic financial institutions to create a SC to ensure compliance with Shariah in their business operations, affairs, and activities. The operation of Islamic banks that follow the advice of the SAC will keep their business clean from obscure matters, oppression and tyranny that ultimately lead to the consuming of illicit property. The purpose of the conditions set by the Shariah in *muamalat* transactions is to uphold justice and avoid oppression and tyranny. Pursuant to Section 52 of the Central Bank Act 2009, the functions of the SAC are to determine Islamic law on any financial matter and issue a decision when referred to it, to advise the Bank on any Shariah issues relating to Islamic financial business covering the activities or transactions of the Bank, to advise any Islamic financial institution or any other person as provided under any written law and such other functions as may be decided by the Bank. In particular, the details of the role played by the SAC as stipulated in Section 52 of Act 701 are as follows:

- i. Give an advice on Islamic banking and *Takaful* products.

The SAC will review the validity of conventional instruments practiced by banking and *takaful* institutions based on a Shariah perspective. The study focuses on the structure, mechanism and use of such instruments whether there are principles that contradict Shariah principles or not. Subsequently, Islamic banking institutions will formulate and develop new Shariah-compliant instruments as advised by the SAC.

- ii. Give an advice to the Board of Directors of Financial Institutions.

One of the main functions of the SAC is also to advise financial institutions such as commercial banks that wish to issue a new banking product whether it complies with Shariah requirements or not.

- iii. To validate Shariah-Compliant Manual.

In providing a structured reference source to determine whether a banking product passes the Shariah-compliant requirements or not, the SAC will endorse a manual that has been produced through discussions between members of the SAC.

- iv. Give an advice in the operation of *takaful*.

Among his duties is to advise and monitor the handling of *takaful* funds so that they are invested in instruments required by Shariah laws only. Thus, in the event of any payment to a participant in need of assistance, the money is from a *halal* source and not generated from investments that contain elements of *riba'* or any element that is forbidden in Islam.

### **Shariah Resolution of The Shariah Advisory Council (SAC) Bank Negara Malaysia (BNM) On Shariah-Compliant Credit Cards**

The SAC BNM (Bank Negara Malaysia, 2010) has issued five (5) resolutions related to Islamic credit cards. First, credit card products based on the *bay al-'Inah* and *wadi'ah* concepts are allowed. Purchase of *ribawi* items such as gold, silver and others using a credit card is also required. Second, *ujrah*-based credit cards are allowed, i.e *ujrah* is charged to the cardholder on the services provided by the card issuer. In fact, it is permissible for card issuers to charge different *ujrah* for different types of credit cards that offer different types of services, benefits and privileges as long as they are not related to the service of providing *qard*. In addition, the card issuer may charge for services, benefits and privileges related to the granting of *qard*, debt deferral and cash-for-cash exchange at different values, subject to actual costs to cover management and operating expenses of the services provided. Third, it is permissible for the card issuer to provide personal accident *takaful* coverage by *hibah* without incurring any *ujrah* to avoid *riba al-Fadhl*. Fourth, giving cashback to *ujrah*-based credit cardholders are not allowed. Instead, the privilege shall be given as a *hibah* to the cardholder without being subject to *ujrah*. Fifth, for credit cards that use the concept of *wakalah*, the method of determining *ujrah* based on a certain percentage of the credit limit is not in accordance with Islamic law and instead it must be in the form of a fixed amount without being associated with the credit limit to avoid the existence of usury.

### **Analysis Of Shariah Resolutions of The Shariah Advisory Council (SAC) Bank Negara Malaysia (BNM) On Shariah-Compliant Credit Cards**

- i. Islamic Credit Card Based on *Ujrah* Concept

Several Islamic financial institutions have proposed credit card products based on the concept of *ujrah*. Through this credit card, *ujrah* is imposed on credit cardholders in return for offering services, benefits and privileges provided by Islamic financial institutions to credit cardholders. In this regard, the SAC BNM has been consulted in relation to the issue of whether the credit card structure that uses the concept of *ujrah* is allowed by shariah or not. The SAC at its 77th meeting dated 3 July 2008 and its 78th meeting dated 30 July 2008 has decided that credit cards based on the *ujrah* concept as proposed are allowed. However, it is subject to a number of set conditions. The following Table 1.1 is an analysis of these conditions according to the perspective of *usul al-Fiqh* and *maqasid al-Shariah*:

Table 1.1: The Analysis of the Conditions of Islamic Credit Card Based on *Ujrah* Concept

Criteria	Compliance	Analysis
1. Islamic financial institutions must ensure that the <i>ujrah</i> imposed is an exchange for real (non-fictitious) services, benefits and privileges based on Shariah.;	Yes	<p><i>Ujrah</i> is allowed by Islamic law based on the evidence according to the Quran and Hadith.</p> <ol style="list-style-type: none"> <li>1. From Quran: Surah al-Qasas, verse 26, “Indeed, the best one you can hire is the strong and the trustworthy.” This verse shows the offer of Prophet Shuaib A.S to Prophet Musa A.S to marry his son on the condition that he would agree to the contract of <i>ijarah</i> and work with him for eight years. This shows that <i>ijarah</i> is a contract that has been recognized and required by them. Likewise, it is recognized by every religion.</li> <li>2. Prophet Muhammad PBUH said: “Give the worker his wages before his sweat dries”. This hadith proves that <i>ujrah</i> is required as a substitute for the services performed by employees.</li> </ol> <p>The concept of <i>ujrah</i> coincides with the concept of <i>ijarah</i> in Islamic law. <i>Ijarah</i> literally means ‘<i>iwadh</i>’ which refers to the payment of rental wages (<i>ujrah</i>). It also means a reward for a good deed whether worldly or religious. In terms of <i>fiqh</i>, <i>ijarah</i> means the possession of benefits by exchange payment (‘<i>iwadh</i>’) where the ‘<i>iwadh</i>’ is in the form of ‘<i>ayn</i>’</p>



		(tangible assets), <i>dayn</i> (debt) or benefits. Based on this definition as well, it can be concluded that <i>ijarah</i> according to the perspective of Islamic jurisprudence applies in two situations, namely: i. <i>Ijarah a'mal</i> is a wage paid for services rendered by a person. ii. <i>Ijarah a'yan</i> is a rental because it uses the benefits of a tangible asset owned.
2.The imposition of different <i>ujrah</i> for different types of credit cards that offer different services, privileges and benefits is permissible;	Yes	The jurists agree in placing the condition of <i>ujrah</i> that it is in the category of valuable property and its amount is known. In this regard, the jurists have outlined a method that everything that can be used as a price payment in a sale and purchase contract should be used as a rental payment. The permission to impose different <i>ujrah</i> for different types of credit cards that offer different services, privileges and benefits is in accordance with the concept of needs or problems of both parties to the contract. This benefit ( <i>maslahah</i> ) can be categorized as <i>hajiyyat</i> (complimentary).
3.The imposition of <i>ujrah</i> for services, benefits and privileges not related to the granting of <i>qard</i> , deferral of debt and exchange of cash for cash at different values is permissible; and	Yes	This condition is imposed by the SAC BNM because there is an element of combining sale and purchase contracts and debt ( <i>Bay' Wa Salaf</i> ) which is prohibited by Shariah. In Islamic credit card products, this issue can be seen when the elements of <i>ujrah</i> and <i>Qard</i> are combined in Islamic credit cards. This <i>ujrah</i> contract applies when the card issuer gives a guarantee when the cardholder makes a retail purchase or cash withdrawal through another bank's ATM. However, based on BNM's Shariah Resolution (Bank Negara Malaysia, 2017), <i>Bay' Wa Salaf</i> is prohibited when there is an issue of linkages and interdependence between the two contracts and when the benefits are limited to the borrower only. In this issue, there is no element of dependence between the <i>ujrah</i> and <i>qard</i> contracts where the determination of <i>ujrah</i> is not determined based on the amount of <i>qard</i> . Furthermore, the cardholder will still have to pay <i>ujrah</i> to the card issuer even if the cardholder does not make any Islamic credit card transaction during the month. In fact, both the card issuer and the cardholder benefit

		from this transaction, i.e., the cardholder gets to make the purchase transaction easily, comfortably and securely, while the card issuer gets a reward for the services provided.
4. The imposition of <i>ujrah</i> for services, benefits and privileges related to the granting of <i>qard</i> , deferral of debt and exchange of cash for cash at different values is not permitted. However, charges to cover the actual cost ( <i>nafaqah/taklufah</i> ) of its operation may be imposed.	Yes	This prohibition is based on the hadith of the Prophet Muhammad PBUH: "Indeed, the Prophet Muhammad PBUH forbade the merging of <i>salaf</i> (debt) with sale and purchase, two contracts in one transaction (sale and purchase), and profit without any guarantee (without taking risks)." The imposition of <i>ujrah</i> for services, benefits and privileges related to the granting of <i>qard</i> , debt deferral and exchange of cash for cash at different values is not permissible as it leads to the issue of <i>Bay' Wa Salaf</i> in the <i>ujrah</i> -based credit card structure. Therefore, the <i>ujrah</i> amount for the credit card must be stated in advance without being tied to the amount of credit allowed to the cardholder. However, the Islamic financial institution is allowed to charge to cover the actual cost ( <i>nafaqah/taklufah</i> ) of its operation. This also proves that; the profit of the Islamic financial institution is solely from the <i>ujrah</i> imposed on the cardholder without any attachment to the amount of credit allowed.

## ii. *Takaful* Protection Benefits for Islamic Credit Cardholders

There is a proposal from Islamic financial institutions to offer personal accident *takaful* coverage to Islamic credit cardholders as one of the forms of privilege to credit cardholders who are subject to *ujrah*. In this regard, the SAC, BNM has been consulted in relation to the issue of whether the provision of personal accident *takaful* coverage as one of the forms of benefits imposed by *ujrah* on Islamic credit cardholders is allowed by Shariah or not. The SAC at its 77th meeting dated 3 July 2008 has decided that the provision of personal accident *takaful* coverage as a form of privilege to credit cardholders in Islam by imposing *ujrah* as proposed is not in accordance with Shariah. However, if this personal accident *takaful* coverage is given by *hibah* without any *ujrah*, then it is permissible. The following Table 1.2 is an analysis of *takaful* protection benefits for Islamic credit cardholders according to the perspective of *usul al-Fiqh* and *maqasid al-Shariah*:

Table 1.2: The Analysis of *Takaful* Protection Benefits for Islamic Credit Cardholders

Criteria	Compliance	Analysis
1.The imposition of <i>ujrah</i> for personal accident <i>takaful</i> coverage is not allowed as the Islamic credit cardholder is not a direct <i>takaful</i> participant, instead paying <i>ujrah</i> to the Islamic financial institution in return the Islamic financial institution provides <i>takaful</i> coverage arranged with a third party.	Yes	As for <i>takaful</i> coverage, the cardholder does not become a <i>takaful</i> participant directly, instead paying <i>ujrah</i> to the card issuer in return the card issuer will provide <i>Takaful</i> coverage arranged with a third party. This causes the exchange of cash with cash at a different value that is forbidden by Shariah, namely <i>riba' al-Fadhl</i> . This condition is seen to coincide with the <i>maqasid al-Shariah</i> , that is, under the category of <i>daruriyyat</i> (necessities); take care of the property. It also coincides with the method of <i>fiqh</i> which is " <i>Dar al-Mafasid awla min jalb al-Masalih</i> " which means to curb harm must come first and get benefits. In this situation, avoiding the harm of <i>riba al-Fadhl</i> is more important than taking care of the benefit through the imposition of <i>ujrah</i> for personal accident <i>takaful</i> coverage.
2. The imposition of <i>ujrah</i> for personal accident <i>takaful</i> coverage is not allowed because when a customer only pays <i>ujrah</i> to an Islamic financial institution for the benefit of risk protection, this arrangement is seen as an exchange of cash for cash at a different value which is prohibited by Shariah.	Yes	The card issuer may not list the cashback or <i>takaful</i> coverage as one of the benefits that will be received by the cardholder as a return from the <i>ujrah</i> payment. This is prohibited due to the possibility of <i>riba al-Fadhl</i> by exchanging cash for cash at different values, ie the cardholder pays <i>ujrah</i> to the card issuer while the card issuer will provide cashback at a lower/higher value. This condition is seen to coincide with the <i>maqasid al-Shariah</i> , that is, under the category of <i>daruriyyat</i> (necessities); take care of the property. It also coincides with the method of <i>fiqh</i> which is " <i>Dar al-Mafasid awla min jalb al-Masalih</i> " which means to curb harm must come first and get benefits. In this situation, avoiding the harm of <i>riba</i>

		<i>al-Fadhl</i> is more important than taking care of the benefit through the imposition of <i>ujrah</i> for personal accident <i>takaful</i> coverage.
3. In order to avoid the <i>shubhah</i> of exchanging cash for cash at different values which is prohibited by Shariah, then as an alternative, the concept of <i>hibah</i> is considered appropriate because there are no Shariah barriers on it.	Yes	The card issuer may not list the cashback or <i>takaful</i> coverage as one of the benefits that will be received by the cardholder as a return from the <i>ujrah</i> payment. To prevent the occurrence of <i>riba al-Fadhl</i> , cashback and <i>takaful</i> coverage provided by the card issuer is not part of the benefits obtained through the <i>ujrah</i> contract, instead it should be classified as a grant given at the discretion of the card issuer on the basis of <i>hibah</i> . This condition is seen to coincide with the method of <i>fiqh</i> which is " <i>Iza dhaqa al-Amr ittasa'a</i> " namely, when something is restricted, it will create wider situation. Thus, Islamic financial institutions can consider the alternative of <i>hibah</i> as a way out.

i. Rebate (*Ibra'*) in the Form of Cashback on Credit Card Annual Fee

The SAC was consulted in relation to a proposal from an Islamic financial institution that offers credit card products based on the *ujrah* concept to promise a rebate in the form of cashback on annual fees if credit cardholders use the card at least twice a month. The SAC at its 77th meeting dated 3 July 2008 has decided that Islamic financial institutions cannot provide cashback to Islamic credit cardholders if *ujrah* is imposed. Instead, the privilege should be given as a *hibah* to the cardholder without being subject to *ujrah*. The following Table 1.3 is an analysis of *takaful* protection benefits for Islamic credit cardholders according to the perspective of *usul al-Fiqh* and *maqasid al-Shariah*:

Table 1.3: The Analysis of Rebate (*Ibra'*) in the Form of Cashback on Credit Card Annual Fee

Criteria	Compliance	Analysis
1.The decision of the SAC is based on the consideration that the granting of cashback	Yes	Giving cashback by charging <i>ujrah</i> can create an element of exchanging cash for cash at different values. This matter is

<p>with the imposition of <i>ujrah</i> creates an element of exchanging cash for cash at different values which is prohibited by Shariah.</p>	<p>factually forbidden under Islamic law, as it involves <i>riba' al-fadhl</i>. On the other hand, rebates (<i>ibra'</i>) create the issue of <i>dha' wa ta'ajjal</i>, which is forbidden because it emulates the concept of <i>riba'</i> and is a form of trick (<i>hilah</i>). Therefore, as a way out, the privilege should be given as a <i>hibah</i> to the cardholder without being subject to <i>ujrah</i>. This coincides with the <i>maqasid al-Shariah</i> i.e., under the category of <i>daruriyyat</i> (necessities); which is the preservation of property. It also coincides with the method of <i>fiqh</i> in the clash between harm (<i>mafsadah</i>) and benefit (<i>maslahah</i>). If the <i>mafsadah</i> is greater than the <i>maslahah</i>, then the <i>mafsadah</i> should be avoided even if it leads to the omission of the <i>maslahah</i>, or in other words without looking at the <i>maslahah</i> derived from it. <i>Mafsadah</i> involved in <i>riba'</i> is greater when compared to the benefits of giving a cash rebate (cashback) on the annual fee of a credit card. Therefore, Islamic financial institutions can't provide cashback to Islamic credit card holders if <i>ujrah</i> is imposed.</p>
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Rebates are defined in Islamic transactions as price reductions given as a gift by one person to another in financial transactions such as business and rental transactions (Ishak, M.S.I., 2019). For instance, banks offer rebates to customers who adhere to their contractual obligations in a timely manner agreed upon by both parties. Although there are some difficulties with practicing *ibra'*, a large number of scholars maintain that *dha' wa ta'ajjal* is not allowable because it is similar to the concept of *riba'* and is a form of trickery (*hilah*). Umar al-Khattab, Ibn Umar, Zayd bin Thabit, al-Hakam, al-Hasan, Salim, Hisham ibn 'Urwah, and Miqdad, Ibn Uyaynah, al-Musayyib, Ibn 'Aliyah, al-Thawri, and the scholars of the four Imams are among the Shariah scholars who assert the prohibition of *dha'* (Ibn Qudamah, 1968; Abdul Hamid, M. & Trakic, A., 2013). According to scholars, *dha' wa ta'ajjal* (take less in order to accelerate payment) is too related to the idea of *riba'* to be acceptable. They opine that the increment added to the principal due as a result of the payment period being extended is considered usury (Saiman, M.Z., 2017). Equally, loan depreciation as a result of loan shortening is also regarded usury. Islamic scholars prohibit agreed discounts on Islamic banking products because they create

*gharar* (uncertainty) in the marketing price (Fairouz, A.K. M., 2016). Furthermore, some scholars argue that rebate is analogous to the hadith which prohibited the practice of *bay' atain fi al-bay'ah* (combining two sales into a single sale and purchase transaction). Refunds are not permitted at the Hanafi school if the practice is conditional (Bank Negara Malaysia, 2010). While scholars such as Abbas Ibn al-Nakha'i and Abu Thawr hold the view that *dha' wa ta'ajjal* is permissible. They permit it because it satisfies a portion of the creditor's rights while relieving the debtor of debt. According to a group of Shafi'i schools of thought, *dha' wa ta'ajjal* contains elements of deception (*hilah*). If there is no trick, however, the concept is justified (Ibn Qudamah, 1968; Abdul Hamid, M. & Trakic, A., 2013) SAC decided in its 101st meeting that Bank Negara Malaysia should offer rebates to customers who pay their debt obligations on time (Bank Negara Malaysia, 2010). SAC permitted the bank to give *ibra'* based on the Hadith narrated by Ibn Abbas, "The Prophet Muhammad PBUH once ordered the Bani Nadir to leave Madinah, then he received representatives from those who said, O Messenger of Allah! You ordered us to leave Medina despite the fact that we owed money to the locals. The Prophet Muhammad PBUH then responded, "Give a discount and expedite settlement." (2004) (Al-Daraqutni & Ibn 'Umar). In summary, relying on the analysis of the three matters addressed from the perspectives of *usul al-Fiqh* and *maqasid al-Shariah*, it is determined that the SAC BNM followed the appropriate Shariah criteria in determining Shariah-compliant credit card products.

## Conclusion

Most Islamic financial products can't escape from the Shariah issues that will arise from every type of product whether it is deposits, financing, credit cards or other products. This is where the expertise of Shariah officers and advisers is needed in resolving these issues as well as providing their own resolutions and perspectives in resolving such issues. In fact, the job of Shariah officers and advisers is to provide a way out (*makhraj shar'ie*) on current banking issues. Consideration of using *usul al-Fiqh* and *maqasid al-Shariah* is one of the most important factors in ensuring the sustainability of Islamic financial industry products. In applying these two disciplines of knowledge, Shariah experts who sit on the SAC of BNM must always ensure that it meets the criteria of *usul al-Fiqh* and *maqasid al-Shariah* outlined by Shariah laws. Islamic credit cards based on *ujrah* are considered Shariah compliant because the *ujrah* charged is not subject to the amount of the loan given. The rebate (*ibra'*) given on *ujrah* is at the discretion of the card issuer. However, on the basis of safeguarding the public interest, BNM has stipulated that rebate should be given on unused credit limits and also subject to tiered pricing rules for all credit card products in Malaysia to the card issuer to determine the price that should be charged which is worth the capital, risk and operational inconvenience incurred by the card issuer to provide the service. Nonetheless, the issue of *bay' wa salaf* can be mitigated by not requiring that *ujrah* should be imposed on *qard*. Rebate on *ujrah* is given at the discretion of the card issuer taking into account how much *qard* has been given. Meanwhile, for the issue of cashback, it is at the discretion of the card issuer under the *hibah* concept and not as a return due to *ujrah* paid by the cardholder.

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