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This AAOIFI Shariah standard summary series is brought to you exclusively by IFN in collaboration with Dar Al Sharia. The intention of this is to provide the reader with an initial understanding of the standards and this does not purport to be complete or is intended to replace the standard itself. It is also highlighted that the reader should not rely on the below for any Shariah guidance purposes.

The next standard in the weekly series shall be Shariah Standard No 3 – Procrastinating Debtor.

About

Name of the standard:	Debit card, charge card and credit card
Standard number:	2
Standard issuance date:	31st May 2000
Sections and subsections:	Five sections; Section 2 (three subsections), Section 3 (three subsections) and Section 4 (six subsections) provide core Shariah rulings of the standard.

Purpose

The purpose of the standard is to explain Shariah rules and guidelines on the issuance and usage of debit cards and charge cards and conditions pertaining to their permissibility from a Shariah compliance perspective. The standard also discusses the rationale for the prohibition of conventional credit cards.

Further, for the permissibility of debit cards and charge cards, it provides Shariah rules with respect to the commission and fees on the cards along with other related issues.

Scope

The key elements included in the scope of the standard are the following:

a. Characteristics of the types of cards
b. Shariah guidance on debit cards, charge cards and credit cards
c. Shariah guidelines with respect to the affiliation of a financial institution to international card regulatory organizations
d. Commission payable to the card issuer by merchants accepting the card
e. Fees charged by the financial institution to the cardholder
f. Shariah guidelines for the purchase of gold, silver and currency with cards and the usage of cards for cash withdrawal, and
g. Shariah rules on privileges granted by card-issuing parties.

Summary

Cards are an inevitable form of transactions in today's economy, therefore Shariah guidance is essential on its prevalent forms.

This is a very early standard which provides comprehensive Shariah guidance on the core nature of cards, their acceptability and also the Shariah rulings on the commercial relationships among the relevant stakeholders such as issuers, merchants and cardholders.

Some of the applications of the standard in banking and finance transactions

Structuring and developing Shariah compliant:

- ✓ Credit cards
- ✓ Charge cards
- ✓ Debit cards

Highlights

Debit cards/charge cards	It is permissible for financial institutions to issue debit cards and charge cards as long as no interest is charged and Shariah guidelines on the usage are adhered to.
Credit cards	It is not permissible to issue credit cards that provide an interest-bearing revolving credit facility, whereby the cardholder pays interest for paying off the debt in installments. If a credit card has to be issued, it shall be on the basis of Qard Hasan (benevolent loan).
General condition	It shall be stipulated in the documentation that the cards may not be used for the purposes prohibited by the Shariah and in the case of violation, the cards may be withdrawn.