Statement of the Shariah Advisory Council of Bank Negara Malaysia (SAC)

and

Standards under Section 29(1) of the Islamic Financial Services Act 2013 (IFSA) and Section 33E(1) of the Development Financial Institutions Act 2002 (DFIA)

on

Imposition of Cash Advance Fee and Annual Fee in Credit Card-i and Arising Matters in *Ujrah*-based and *Tawarruq*-based Credit Card-i

Part I: SAC Statement pursuant to section 52(1)(a) of Central Bank of Malaysia Act 2009

The SAC at its 221st meeting dated 29 March 2022, 229th meeting dated 30 March 2023, and 250th meeting dated 27 August 2025, has ascertained the following:

Cash Advance Fees, Annual Fees and Balance Settlement Priority in Credit Card-i

1. The imposition of fees for cash advance/withdrawal services must be based on a fixed cost and/or a percentage that reflects the actual direct cost incurred by the Islamic Financial Institution (IFI) in providing the service, without any profit or mark-up elements. The determination of the actual direct cost may be based on a reasonable estimation if there are difficulties in determining the actual direct cost.

2. Differentiated annual fees for various types of credit card-i that offer different services, benefits and privileges is permissible, subject to the following conditions:

   (i) The fee imposed must be in consideration for the overall collective benefits (bundled benefits) and should not be based solely on monetary benefits such as cashback and rebates; and

   (ii) Monetary benefits must not be the basis for differentiating the annual fees across types of card.

3. The settlement of balances (i.e., items appearing in the statement) according to their profit or fee rates, with items attracting the highest profit or fee rate to be paid first, is in compliance with Shariah.

Computation of *Ibra'* on *Ujrah* and Imposition of Compounding Charges in *Ujrah*-based Credit Card-i

1. The computation of rebate (*ibra'*) for the imposition of effective/actual *ujrah* based on the outstanding debt arising from a loan (*qard*) contract is not permissible.

2. *Ujrah* and late payment charges shall not be compounded.

Fiqh **adaptation (*takyif fiqhi*) *of Tawarruq* Proceeds and Repayments by Cardholder in *Tawarruq*-Based Credit Card-i**

1. *Takyif fiqhi* of *qard, wadi`ah yad amanah, dayn, rahn* and *wakalah bi al-daf`* (payment agency) for *tawarruq* proceeds and subsequent repayments by cardholders are permissible.
2. There is no element of *qard jarra naf`an* (loan that yields benefits to the lender) in the *takyif fiqhi* of *qard,* as the loan is incidental and adopted solely to facilitate revolving credit operations.
3. IFIs must ensure that the operations of *tawarruq*-based credit card-i products including legal documentation and accounting treatment are aligned with the approved *takyif fiqhi*.

Part II: Legal Provision and Applicability

2.1 Part 1 of the SAC Statement is made pursuant to section 52(1)(b) and section 55(1) of the Central Bank of Malaysia Act 2009 (CBA).

2.2 Bank Negara Malaysia (BNM) specifies Part 1 of this SAC Statement as standards under section 29(1) of the IFSA and section 33E(1) of the DFIA, effective on 3 July 2026 and applicable to the following IFIs:

(i) licensed Islamic banks under the IFSA;
(ii) licensed banks and licensed investment banks approved under section 15(1) of the Financial Services Act 2013 (FSA) to carry on Islamic banking business; and
(iii) prescribed institutions approved under section 33B(1) of the DFIA to carry on Islamic financial business.

2.3 This SAC Statement must be read together with other relevant legal instruments and policy documents issued by BNM, in particular, Credit Card and Credit Card-i Policy Document issued on 19 December 2025 (including revisions from time to time).

Part III: Background

Ujrah-based credit card-i

3.1. An *ujrah*-based credit card-i product consists of two main Shariah contracts, namely *qard* and *ujrah*. *Qard* refers to the credit facility offered by the IFI to the cardholder, while *ujrah* is imposed on the services, benefits, and privileges.

3.2. The SAC, at its 77th meeting dated 3 July 2008 and 78th meeting dated 30 July 2008, decided that *ujrah*-based credit card-i is permitted, subject to certain conditions.[1]

3.3. However, questions arise from current market practices as to whether –

(i) the mechanism for calculating *ibra'* for the imposition of effective/actual *ujrah* in *ujrah*-based credit card-i products based on the outstanding debt arising from a *qard* contract is permissible under Shariah;

(ii) the imposition of cash advance or withdrawal fees based on a percentage of the advance amount is permissible under Shariah; and

(iii) *ujrah* and late payment charges can be compounded.

Tawarruq based credit card-i

3.4. *Tawarruq*-based credit card-i structure involves the execution of *tawarruq* transaction between the customer and the IFI for the purpose of providing a credit limit to the customer. Through the execution of *tawarruq*, the customer obtains a financing amount as the credit card limit. At the end of the financing period, the customer is required to repay the *tawarruq* sale price to the IFI, and the IFI may grant rebate (*ibra'*) on the sale price amount based on the unused portion of the credit limit.

3.5. *Tawarruq*-based credit card-i product structure was approved by the SAC at its 106th meeting held on 28 October 2010.

3.6. For *tawarruq*-based credit card-i products, several issues arise from current market practices on –

(i) the arrangement of *tawarruq* proceeds and repayments by cardholder (after card utilisation);

(ii) cash advance fees for *tawarruq*-based credit cards that are imposed in the form of a percentage or a fixed fee;

(iii) differentiated annual fees based on the types of card, to enjoy different benefits including monetary benefits; and

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[1] Credit card based on the *ujrah* concept is permitted, subject to the following conditions:

i. IFIs must ensure that the *ujrah* imposed is an exchange for actual (non-fictitious) services, benefits, and privileges that are Shariah-compliant;

ii. The imposition of different *ujrah* rates for credit card types that offer different services, benefits and privileges is permissible;

iii. The imposition of *ujrah* for services, benefits, and privileges that are not related to the granting of *qard*, debt deferment, or cash-for-cash exchange at different values is permissible; and

iv. The imposition of *ujrah* for services, benefits, and privileges that are related to the granting of *qard*, debt deferment, and cash-for-cash exchange at different values is not permitted. However, charges to cover the actual operational cost (*nafaqah/taklufah*) may be imposed.

(iv) payment priority for settlement of balances, with items attracting the highest profit or fee rate to be paid first.

3.7. In this regard, the SAC was consulted on all the above-mentioned four Shariah issues.

Part IV: Key Discussion

Imposition of Cash Advance Fees in Current Practices of Ujrah-based Credit Cards

4.1. There are different market practices regarding the imposition of cash advance service fees. Some IFIs (for example, IFI A in **Table 1** below) impose fees based on a certain percentage of the cash advance amount or a minimum flat rate, whichever is higher. Other IFIs (for example, IFI B in **Table 1**) impose a flat rate fee regardless of the cash advance amount. In the example of IFI A (in Table 1), it shows a fee that increases in line with the cash advance amount, whereas the example of IFI B (in Table 1) shows a fixed fee that is not linked to the amount advanced. An illustration of the calculation of cash advance service fees is as follows[2]:

	Cash Advance Amount	Flat Rate	Percentage Rate	Fee Imposed
IFI A	RM400	RM18	2% (RM8)	RM18
	RM1000	RM18	2% (RM20)	RM20
IFI B	RM200	RM20	N/A	RM20
	RM400	RM20	N/A	RM20

Table 1: *Illustrative example of cash advance service fees*

4.2. *Qard* granted by the IFI to the cardholder in the cash advance service occurs when the cardholder makes a cash withdrawal at an Automated Teller Machine (ATM). In structures where the cash advance service fee is determined based on the cash advance amount (as illustrated by IFI A in **Table 1**), the issue of *qard jarra naf`an* may arise, particularly if the cash advance service fee exceeds the actual direct cost incurred by the IFI or to recoup costs that are not directly incurred in the provision of the cash advance service. The calculation of the actual cost may be based on a reasonable estimation without any profit element or mark-up, if it is difficult to determine the exact cost for each cash withdrawal.

[2] The example provided is for illustrative purposes only and does not reflect the actual amount or rate of cash advance/withdrawal service fee.

Imposition of Cash Advance Fees in Current Practices of Tawarruq-based Credit Cards.

4.3. The *takyif fiqhi* of cash advance fee is classified as *ujrah*, which is imposed by the IFI on the cardholder when a cash withdrawal is made from the *tawarruq*-based credit card account. Such *ujrah* constitutes an income that is distinct and separate from the profit of the *tawarruq's* commodity sale price determined by the IFI.

4.4. In principle, the determination of the *ujrah* rate is permissible, provided that the service is not a consideration for *qard* or a loan granted by the IFI. However, differences are observed in market practices relating to the imposition of cash advance charges between deposit accounts and *tawarruq*-based credit cards, which appear inconsistent even though both arrangements carry the same *takyif fiqhi* i.e., the withdrawal of cash that belongs to the cardholder (not *qard* from the IFI).

4.5. This inconsistent implementation may give rise to the perception that, in reality, the *tawarruq*-based credit card operates similarly to a *qard* product, with the *tawarruq* transaction arrangement serving merely as a symbolic or formal (*suriyy*) arrangement. To avoid potential disputes regarding the *takyif fiqhi* of *tawarruq*-based credit cards and to ensure fairness and the best interest of the cardholder, the IFI must comply with the requirements set by BNM when imposing cash advance fees.

Differentiated annual fees based on the types of card with different benefits (including monetary benefits)

4.6. In addition to cash advance fee, the annual fee is also an *ujrah* (service fee) imposed on cardholders for different types of cards. The imposition of annual fees is determined based on the services, benefits, and privileges offered for each card type.

4.7. Fundamentally, any service, benefit, and privilege for which a fee (*ujrah*) is imposed must not lead to *riba.* Specifically, monetary benefits such as cashback (which are classified as a *hiba*h (gift) from the IFI to the cardholder) must not be subject to a fee. This is because imposing fee on monetary benefits would constitute an element of exchanging cash for cash at unequal values (*riba fadhl*), which is prohibited by Shariah.

***Takyif fiqhi* of *qard* in *ujrah*-based credit card-i**

4.8. The *qard* contract is one of the contracts that forms the primary purpose or originally intended (not incidental) in the *ujrah*-based credit card-i product. *Qard* occurs when the IFI advances payment to the merchant upon a purchase made by the retail or corporate cardholder. The cardholder is obligated to repay the debt arising from the *qard* to the IFI within the agreed period.

4.9. Generally, the calculation of *ujrah* for retail/corporate purchases in *ujrah*-based credit card-i products offered by IFIs comprises three main components, namely:

(i) Fixed management fee (FMF) – imposed on the services, benefits and privileges provided to the cardholder.
(ii) Actual management fee (AMF[3]) – imposed on the outstanding amount arising from retail/corporate transaction debts and cash advances that have not been settled.
(iii) *Ibra'* – calculated based on the difference between (a) the fixed management fee and (b) the actual management fee above (if the actual management fee is lower than the fixed management fee).

Calculation of ujrah and ibra' in current practices of ujrah-based credit card-i.

4.10. An illustrative example of the calculation of *ibra'* and AMF is shown in **Figure 1** below:[4]

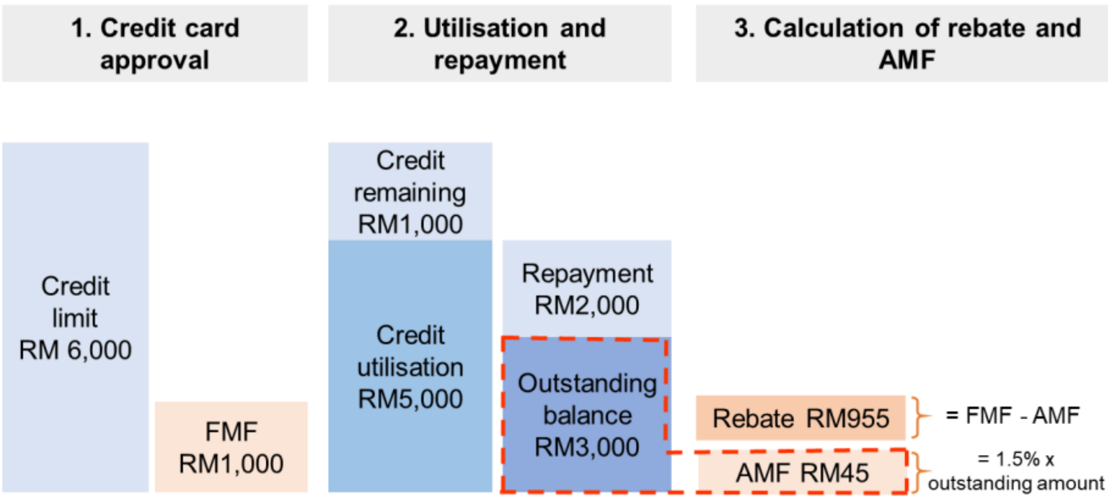

***Figure 1**: Illustrative example of the calculation of ibra' and AMF*

4.11. The *ujrah* imposed is originally fixed and serves as a consideration for the services, benefits, and privileges provided to the cardholder. However, if the *ibra'* granted by the IFI (to determine the effective/actual *ujrah* amount) is calculated based on the outstanding *qard* balance, this situation raises the element of *qard jarra naf`an*. Such practice is prohibited under Shariah because the *ujrah* is effectively charged on the *qard* amount itself.

[3] The terminology applied varies across the respective IFI; for example, "actual management fee", "actual monthly management fee", "yearly facility charges", and other terms with the same meaning.
[4] The example provided is for illustrative purposes only and does not reflect the actual amount or rate of FMF, AMF, or *ibra'* in the market.

***Takyif fiqhi* of *tawarruq* proceeds and repayments by cardholders in *tawarruq*-based credit card-i**

4.12. After *tawarruq* arrangement between the cardholder and the IFI is completed, the proceeds from the *tawarruq* will be credited into a designated account for the cardholder's use (refer to **figure 2** below). The cardholder may utilise these funds for transactions such as cash withdrawals and retail payments. Subsequently, any repayments made by the cardholder to the IFI will be credited back into the designated account to enable further usage.

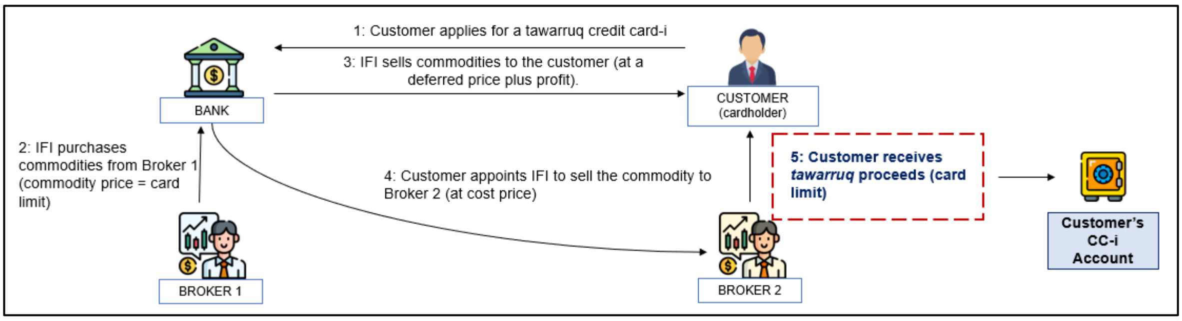

***Figure 2**: Illustrative chart of the tawarruq-based credit card-i transactions*

4.13. Accordingly, IFIs have proposed several *takyif fiqhi* on *tawarruq* proceeds and the repayment mechanism by cardholders. Among the *takyif fiqhi* considered include *qard*, *wadiah yad amanah, dayn, rahn*, and *wakalah bi al-daf`*.

4.14. With regard to the *takyif fiqhi* of *qard*, a potential element of *qard jarra naf`an* may arise when the amount of *qard* provided by the cardholder to the IFI influences the rate of *ibra'* granted by the IFI upon the maturity of the *tawarruq*. This granting of *ibra'* is based on the requirements in the Credit Card and Credit Card-i Policy Document (PD).

4.15. The proposed application of the *takyif fiqhi* of *qard* does not reflect the original purpose of the *tawarruq*-based credit card-i contract. Instead, it is intended solely to enhance operational efficiency through the implementation of revolving credit so that the card limit can be restored without having to repeatedly execute *tawarruq* transactions**.**

4.16. In addition, the original purpose of granting *ibra'* is to serve as a consideration for early repayment of the *tawarruq* debt by the cardholder, not based on the amount of *qard* provided by the customer.

4.17. Nevertheless, from an operational and accounting perspective, the *tawarruq* proceeds must be recorded in accordance with the prescribed *takyif fiqhi*. In addition, information regarding the implementation of revolving credit must be explicitly disclosed to the cardholder in the documentation to ensure the contract is valid and mutually agreed between both parties.

Payment priority for transaction categories attracting highest profit charges

4.18. The payment priority for transaction categories attracting the highest profit charges, as stated in the Credit Card and Credit Card-i Policy Document serves to ensure fairness and protect the best interests of both contracting parties by preventing cardholders from being burdened with prolonged high-cost debt. This approach is consistent with the fundamental principles of Shariah, particularly the objective of preventing harm *(dharar)* and ensuring equitable treatment in contractual relationship.

Part V: Basis of the SAC Statement

Shariah prohibits any benefit to the creditor (qard provider) that is stipulated as a condition

5.1. The imposition of *ujrah* on the *qard* amount (in retail/corporate purchase situations) and fees on the advance amount, if they exceed the actual direct cost, constitutes a benefit to the creditor that are prohibited under Shariah. This is based on the following hadith:

عن علي رضي الله عنه قال: قال رسول الله صلى الله عليه وسلم: كل قرض جر منفعة فهو ربا[5]

"From Ali (may Allah be pleased with him) that Rasulullah SAW said: Any loan which brings benefit (to the lender) is riba."

The consideration of a contract is based on the intention and objective of the contracting parties

5.2. Although the *ujrah* and *qard* contracts are permissible and distinct from each other, the *ibra'* granted by the IFI (to determine the effective/actual *ujrah*) is calculated based on the outstanding debt arising from the *qard* contract. This contains an element of *qard jarra naf`an*, which is prohibited under Shariah because the *ujrah* is effectively imposed on the *qard* amount itself. This is in line with the following *fiqh* maxim:

[5] Abu Bakar Ahmad al-Baihaqi, *al-Sunan al-Kabir*, Markaz Hijr, Kaherah, 2011, vol. 11, pg. 291. Ibn Hajar al-`Asqalani, *Bulugh al-Maram min Adillah al-Ahkam*, Matba`ah Salafiyyah, 1928, pg. 176.
The hadith is weak (da`if) and mawquf in terms of its chain of narrators (sanad). Nevertheless, its meaning is accepted by the consensus of the jurists (fuqaha) and is cited as a fiqh maxim in the major references of Islamic jurisprudence –
- Ibn Qudamah, *al-Mughni*, vol. 6, pg. 436
- Ibn `Abidin, *Radd al-Muhtar*, vol. 5, pg. 166
- al-Nawawi, *al-Majmu`*, vol. 9, pg. 432

العبرة في العقود للمقاصد والمعاني لا للألفاظ والمباني[6]

"The determination of a contract is based on its objectives and intent, not on its wording and form."

Prohibition of ujrah and compounded late payment charges based on considerations of Shariah governance (siyasah syar`iyyah) and benevolence (ihsan)

5.3. The prohibition of *ujrah* and compounded late payment charges is based on Shariah governance considerations (*siyasah syar`iyyah*), whereby the regulator may establish appropriate policies to safeguard the interests of contracting parties. This is in line with the following *fiqh* maxim:

تصرف الإمام على الرعية منوط بالمصلحة[7]

"*The actions of a leader towards the people must be based on public interest (maslahah).*"

5.4. Islam encourages the principle of *ihsan* in all matters, including financial transactions (*muamalat*). This is as stated in the Qur'an:

إِنَّ ٱللَّهَ يَأۡمُرُ بِٱلۡعَدۡلِ وَٱلۡإِحۡسَٰنِ

"Indeed, Allah commands justice and doing good (ihsan)..."[8]

5.5. Applying the principle of *ihsan* is appropriate in providing assistance and relief to those experiencing hardship by alleviating their burden. Rasulullah SAW also encouraged *ihsan* in all matters, as stated in the following hadith:

عن أبي يعلى شداد بن أوس رضي الله عنه عن رسول الله صلى الله عليه وسلم قال:

إن الله كتب الإحسان على كل شيء[9]

"From Abu Ya`la Shaddad bin Aus (may Allah be pleased with him) that Rasulullah SAW said: 'Indeed, Allah has prescribed ihsan (benevolence) in everything.'"

[6] Al-Kasani, Badai` al-Sanai`, Dar al-Kutub al-`Ilmiyyah, vol. 4, pg. 134; Ahmad al-Zarqa', *Syarh al-Qawa`id al-Fiqhiyyah*, Dar al-Qalam, 1989, pg. 55.
[7] Al-Suyuti, *al-Asybah wa al-Naza'ir*, Dar al-Kutub al-`Ilmiyyah, 1982, pg. 121.
[8] Surah al-Nahl, ayat 90.
[9] Muslim, *Sahih Muslim*, Dar al-Ihya' al-Turath al-Arabi, Beirut. vol. 4, pg. 2074, hadith no. 2699.

Permissibility of the linkage between qard and ibra' when it occurs incidentally

5.6. There is no element of *qard jarra naf`an* and *bai` wa salaf* in the arrangement of monthly payments by customers because *qard* is not the original purpose (originally intended), but serves solely to facilitate revolving credit operations. This is in line with the following *fiqh* maxim:

يغتفر في العقود الضمنية ما لا يغتفر في الاستقلال[10]

يغتفر في الشيء ضمنا ما لا يغتفر فيه قصدا[11]

"What is prohibited when done intentionally (as the original purpose) may be excused if it occurs incidentally or implicitly."

5.7. The granting of *ibra'* by the IFI is also to fulfil requirements imposed by the authority (Credit Card-i PD, in line with the SAC decision at its 101st meeting[12] on 20 May 2010) to avoid uncertainty regarding the customer's entitlement to receive *ibra'* from the IFI.

Determination of the actual direct cost for cash withdrawal/advance fees for tawarruq-based credit card-i based on considerations of public interest (maslahah)

5.8. Determining the actual direct cost for cash withdrawal/advance fee is based on considerations of public interest (*maslahah*) and fairness to cardholders using *tawarruq*-based credit cards. In this regard, the verification of the actual direct cost may be determined by the authority or regulator.

The prohibition on differentiating annual fees solely on the basis of monetary benefits is premised upon the prohibition of exchanging cash for cash at unequal values (riba fadhl)

5.9. The condition that the annual fee must reflect consideration for the overall benefits collectively, rather than solely monetary benefits[13], is to avoid *riba al-fadhl*, based on the following hadith:

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[10] Al-Zarkashi, *al-Manthur fi al-Qawaid Fiqhiyyah*, vol. 3, pg. 378.

[11] *Ibid.*

[12] The SAC, at its 101st meeting dated 20 May 2010, has resolved that BNM as the authority may require IFIs to accord *ibra'* to their customer who settled their debt obligation arising from the sale-based contract (such as *bai` bithaman ajil* or *murabahah*) prior to the agreed settlement period. BNM may also require the terms and conditions on *ibra'* to be incorporated in the financing agreement to eliminate any uncertainty with respect to customer's entitlement to receive *ibra'* from IFIs. The *ibra'* formula will be determined and standardised by BNM.

[13] Monetary benefits including cashback and rebate.

عن عبادة بن الصامت رضي الله عنه قال: قال رسول الله صلى الله عليه وسلم الذَهَبُ بالذهب والفضة بالفضة والبر بالبر والشعير بالشعير والتمر بالتمر والملح بالملح مثلا بمثل سواء بسواء يدا بيد فإذا اختلفت هذه الأصناف فبيعوا كيف شئتم إذا كان يدا بيد.[14]

"Narrated by `Ubadah bin al-Samit (RA): Allah's Messenger said: "Gold is to be paid for with gold, silver with silver, wheat with wheat, barley with barley, dates with dates, and salt with salt, same quantity for same quantity and equal for equal, hand to hand (i.e. payment being made on the spot). If these classes differ, sell as you wish as long as payment is made on the spot."

Part VI: Implication of the SAC Statement

6.1 This SAC Statement provides greater clarity on previous SAC decisions regarding *ujrah*-based credit card at its 77th meeting dated 3 July 2008 and the 78th meeting dated 30 July 2008.

6.2 This SAC Statement also provides Shariah clarity on the implementation of *tawarruq*-based credit card-i.

In the event of any inconsistency between the Malay version and the English version of this document, the Malay version shall prevail.

[14] Muslim, *Sahih Muslim*, Dar al-Ihya' al-Turath al-Arabi, Beirut. vol. 3, pg. 1211, hadith no. 1587.