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What Credit Cards May or May Not Do: An Economic and Sharīʿah Analysis

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1. Introduction

In order to determine what a credit card may or may not do, which will then allow us to decide if it is permissible from an Islamic point of view or not, we need first to know what a credit card is. That reminds me of a long debate among economists on what is money. The debate went on and on (and still continues). However, a phrase (usually ascribed to Sir John Hicks, though it is not agreed that he was the *first* one to use this phrase) changed the course of that debate. The phrase: 'money is what money does'; shifted the focus of the debate. It was agreed that money is to be defined by its functions. Anything is money which performs one or more of those functions. Three generally agreed functions of money were: medium of exchange, unit of account and store of value.(1)

The above account of money and its functions is relevant to our discussion because one of the functions that credit cards perform is that they serve as a medium of exchange. However, that is not the only thing they do. As we will discuss later, they perform other functions also. Therefore, if I am allowed to imitate Sir John Hicks, let me say that "credit cards are what they do." The account of money in the previous paragraph is relevant to the discussion of credit cards in another way also. Credit cards are one of many types that fall under the purview of the generic term "plastic money". In this sense, they need to be viewed under the process of the progression of money.

The evolution of money dates back to times immemorial. Historically, cattle, stones, shells, leather, salt, gold, silver, copper, and many other commodities have been used as money. In this evolution, a significant milestone was the introduction of paper money. However, when we talk about the money supply (another very controversial concept in itself), money issued by the government is a small fraction of money created by banks. How banks create money and whether they should be allowed to do that is being hotly debated. Details of that debate are not the focus of this paper. However, we will argue below that the emergence of credit cards has increased the ability of banks to create money.

From a macroeconomic perspective, invention of money can be considered as important in economics as the invention of the wheel in science. Use of money saves societies' resources. Hence, it adds to the wealth of societies. Once wealth has been created, it should

(1) Some would add a fourth one; standard for deferred payments: hence the couplet, "money is matter of functions four: a medium, a measure, a standard, a store"

be shared among those who help to create that wealth. Development of 'credit money' was a step of great significance in the evolution of money and so is the progression to 'plastic' money. There is nothing wrong with this as such. However, like any invention (say electricity) credit money or plastic money, in general, has its dangers. Just like an improper use of electricity can electrocute an individual, an improper use of plastic money can strangulate an economy; nay, the whole global economy.

Kahf and Amiirah Mohomed (2016) make a valuable contribution in discussing both the economic and Sharīʿah aspects of various types of cards. Without going into the details of various types of such cards, I would like to contribute to this discussion in a general vein. Let me use the generic term "Plastic Money Cards" (PMCs). That will encompass, among others, credit cards, debit cards, charge cards, gift cards, retailer cards, prepaid cards, ATMs and many sub-categories under each of these(2).

2. Economics of Plastic Money Cards (PMCs)

2.1 Wealth Creation and Distribution

At the macro level, PMCs are a continuation of the development of "money". As mentioned above, invention of money led to the creation of wealth in the society. Any innovation that adds to the wealth of society is a welcome development. It may be useful to mention here a related development in recent years; e-banking (or e-commerce in general). There was a time when one had to stand in a long line at the beginning of every month to collect one's salary. Now it is sent to our accounts. We can use it from the comfort of our homes. Think of a disabled pensioner who now receives his pension in his bank account and can use it from his computer to envision the real worth of this invention. Now you do not have to worry how to pay to a book-seller in the United States and wait for several weeks to get the book that you had ordered. Resources are saved. That is wealth creation. Use of PMCs saves resources in a similar manner and hence, creates wealth.

But wealth is created at both ends. The book shipper or e-book seller has to spend less on the sale of a book. The buyer has to spend less time and effort and gets his book very quickly. The risk of the loss of shipment (or insurance coverage) also has costs to be borne by the seller. Banks now have to employ fewer employees and rent and maintain fewer buildings. Examples of wealth creation by new technologies are many. The important point is that the created wealth should be "shared" in an equitable manner. There is more than one party to facilitate this process, and an equitable formula has to be designed based on justice and fairness rather than bargaining power of the parties in which case the weaker party will always lose. These are ethical issues which are at the heart of Islamic economics and finance. Islamic writers should pay more attention to these aspects.

Let us try to comprehend the major parties involved in the process of wealth creation by the use of PMCs in general, and credit cards in particular. The major parties are: (i) The card holder (ii) The merchant (iii) The card issuer (e.g., SAMBA) (iv) Merchant's bank (e.g., SABB); (v) Credit card networks (e.g., Visa). The process starts with a trading activity. For example, you buy a new sofa set from IKEA worth SR. 2,000. You decide to pay by your PMC instead of cash. The result of this buying and selling should have ordinarily been you taking the sofa set and IKEA getting SR. 2,000. However, when you pay with a PMC, your account will be debited by SR 2,000 either immediately or after some time, depending on the type of PMC used(3). However, IKEA will get about SR 1,950. The remaining 50 riyals (known as interchange fees) will be divided amongst three entities. Roughly SR 10 for IKEA's bank, Saudi British Bank (SABB); another SR 10 for the card backing network, Visa and the remaining SR 30 will go to the card issuing bank, Saudi American Bank (SAMBA)(4).

The card issuing bank gets the largest share because, in effect it is providing the card holder a

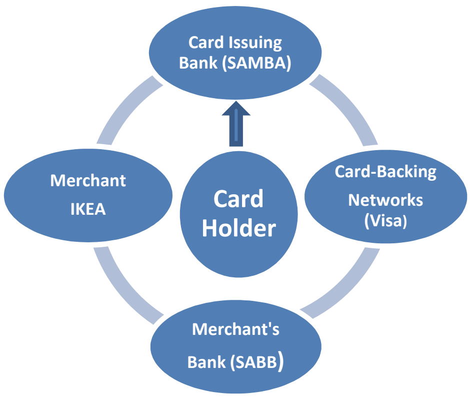
(2) The types of cards can be categorized in a number of ways: by credit limit, acceptability in usage, conditions of use, fees charged, etc. A single issuer may issue several types of cards to cater to 'special' needs of its clients in various categories.

(3) For the time being, we are ignoring the controversial interest clause on the credit provided by the card issuing bank to its client, i.e., it is an interest-free loan.

(4) The amounts being distributed among the parties are only indicative but are close to the average percentages used in practice.

credit of SR. 2,000 in the hope that the customer will pay it back. It is the party taking the risk while providing the credit to the customer. Practically, SAMBA would pay SR 1,970 to Visa, which in turn will pay to SABB SR 1,960. SABB will then credit IKEA's account with SR. 1,960. The transaction will be completed in a day or two. The PMC payment chain is shown in Figure 1. How the parties involved in the process of wealth creation benefit from it will be discussed in section 4.

Figure 1: PMCs Payments Chain



2.2 Money Creation

We mentioned above that money is created by both governments (central banks) and financial institutions (mostly commercial banks). Kahf and Amiirah Mohomed (2016) say that credit cards create money temporarily. They are of the view that "the use of credit card is an activity of money creation at the same time which represents an increase of money supply until this created money is killed when payment is deducted from the cardholder account". However, that is only part of the story.

We know that in fractional reserve system, banks are able to create money because of the clients' accepting their instruments, be it checks or credit cards, and have the faith that the money will be paid to them in a specified period. The greater the use of such instruments, the lesser is the need for the banks to keep physical money in their lockers. In the textbook treatment, that increases the money multiplier in the economy as a whole which leads to an increase in the money supply (M1).

The story does not end there either. It is now widely recognized that "money multiplier" is a myth. The so-called formula of the money multiplier, which in its simplest form is the inverse of the required reserve ratio, is one of the most misleading concepts in monetary economics. Banks do not create money based on reserve requirements. According to the textbook treatment, the chain starts when a bank receives a deposit. It keeps a fraction, say, 10% (as required deposit with the central bank) and lends the rest out by a book entry. The amount gets deposited into another bank, which acts in the same manner. The ultimate result is that the banking system as a whole increases the money supply (M1) by ten times the original deposit. In practice, the process of money creation by banks is exactly the opposite. Banks 'create' deposits on the demand of the customers. They create a deposit by a book entry. The chain then goes on and on. If the banks find their reserves to be insufficient, they can ask for replenishment of depleted reserves from the central bank, which will generally oblige. Central banks' reserve requirement, therefore, imposes no constraint on banks' money creation process. Banks can create as much money as their clients demand. It is interesting to mention that as far back as 1936, Irving Fisher pointed this out that the creation of money depends on the coincidence of the double will of borrowers to borrow and of banks to lend.

As a result, the required reserve requirement is no longer used as an instrument of monetary control policy. As a matter of fact, many countries now do not impose a reserve requirement. The list includes Canada, the UK, New Zealand, Australia and Sweden. In reality, banks create money on their clients' promises to pay. In other words, all endogenous money is based on IOUs. Since credit cards create IOUs, then they trigger money creation. Now one of the two primary functions of credit cards is borrowing money up to the allowed credit limit. For banks, these loans are high risks lending as they are not backed by collateral(5). Still, banks are generally anxious to allow such debt creation; the 'easy money' policy. This is so because a significant portion of their income comes from the interest

(5) Except in case of "Secured Credit Cards".

charged on the unpaid part of the credit limit of clients. This income is much desired by the banks because the rate of interest charged on such loans is very high. This may lead banks to increase the credit limit of even the 'sub-prime' card holders. The risk of bad loans is high, but it is more than compensated by the larger number of loans that are created and the higher income they earn from high-interest rates received from revolvers. The equation pushes them to take the plunge. Statistics show that consumer debt obtained through credit cards has reached alarming proportions. According to statistics gathered by CreditCards.com, average credit card debt per U.S. adult, excluding zero-balance cards and store cards, reached $5,232 in 2015.

The 'greed' of banks and the 'need' of clients combine to piling of such debts. Even worse, the clients may 'relish' in easy money availability to go beyond their needs into financing prodigality. This combined behavior may lead to instability of the banking system. This double want coincidence is a source of large swings in the circulating medium. Why? In a time of recession, borrowers are over-indebted and see narrower profit prospects. They become less willing to borrow. Banks are saddled with impaired assets and are less willing to lend. Jointly, they cause a contraction of money and, in turn, an aggravation of the economic downturn. History of debt crises shows that such debt pile up preceded almost all crises. That calls for more regulation by financial authorities (Askari, 2015).

3. Monetization of Economy

The use of money, especially cash, raises some issues of transparency. Deals done in cash may not be recorded. That opens the door for some illegal activities such as bribes, money laundering, tax evasions, etc. Use of PMCs will help to curb (though not eliminating) such activities. One may still give kickbacks through bank transfers to a bogus account, but it is harder for the offender to defend if caught. Individual behavior can change only through moral uplift but monetizing the economy will definitely make the life harder for unscrupulous individuals.

Checks can also be a means of monetizing the economy and many countries are imposing restrictions on cash transactions involving big amounts or taxing them. However, PMCs are more efficient and less costly. That is the reason that the use of checks has been declining drastically. Checks once accounted for 86 percent of all non-cash payments, but in recent years, they've fallen out of favor. The usage of checks as a payment instrument has plummeted in the U.S. in the last few years. In 2000, checks were used in more than 40 billion transactions according to a recent report from the Federal Reserve's Cash Products Office. That number was down to less than 20 billion in 2013. According to the Fed's most recent numbers, which are based on a survey conducted in October 2012, consumer preferences seem to be a key driver of the trend. According to the Fed, debit cards and credit cards are by far consumers' favorite way to make payments. Some 43 percent of the consumers surveyed by the Fed said debit card was their preferred method of payment. Another 22 percent preferred using credit cards. A substantial 30 percent preferred cash. Only 3 percent of the people who took part in the Fed study preferred using checks.[(6)]

4. How Do Parties in the PMCs Payments Chain Benefit?

4.1 How do Merchants Benefit from Credit Cards

Let us go back to Figure 1 to answer this question. Why do merchants accept a smaller amount (SR. 1,960 instead of SR 2,000 in cash) by allowing the use of credit cards as a means of payment? The answer is that they derive a number of benefits by accepting credit card payments. These include among others:

- Accepting credit cards can boost sales.
- Credit cards encourage buying in general, and impulse buying in particular.
- Accepting credit cards is practically a requirement for companies doing business online.
- Accepting credit cards saves resources by eliminating the processes of sending invoices to customers and collecting cash or checks.
- Accepting credit cards eliminates the risk of accepting a bad check.

(6) Statistics taken from Federal Reserve Payments Study, Released, July, 24, 2014.

- Accepting credit cards involves less handling of cash and hence fewer chances of accepting counterfeit money, burglary and thefts, i.e., fewer resources to be spent on security.

These benefits far outweigh the interchange fees, especially for bigger merchants, who can also negotiate lower interchange fees.

There are still more incentives for merchants to accept credit cards as means of payment. Studies show that merchants pass on the interchange fees to customers. Since in most countries, charging higher prices from credit card payer than cash payers is against the law, the merchants mark up prices in general. A recent study(7) concludes that:

> "Merchant fees and reward programs generate an implicit monetary transfer to credit card users from non-card (or "cash") users because merchants generally do not set differential prices for card users to recoup the costs of fees and rewards. On average, each cash-using household pays $149 to card-using households and each card-using household receives $1,133 from cash users every year. Because credit card spending and rewards are positively correlated with household income, the payment instrument transfer also induces a regressive transfer from low-income to high-income households in general. On average, and after accounting for rewards paid to households by banks, the lowest-income household ($20,000 or less annually) pays $21 and the highest-income household ($150,000 or more annually) receives $750 every year."(8)

4.2 How do Card-Issuers Make Money

The cards issuing banks earn money from four sources in the process; three explicit and one implicit. First, they get the biggest share of the interchange fees paid by the merchants. The average interchange fees are about 2.0% of the volume of the transaction. Out of these, card issuers receive about 1.0%. Merchants' bank and card-backing networks get 0.5% each. Secondly, card issuers charge annual fees from the card holders. The biggest part of credit card income on paper is the interest amount charged by the banks for late payments. What is not explicitly known or calculated is the amount of money that banks make by the ability that credit card debt affords them to increase the total volume of money they create as explained in section 2.2 above. Taken together, it is due to the earning of such handsome amounts that we find banks competing with each other to sell credit cards and offer awards for using them to pay for their purchases. They even find "affinity partners," e.g., airlines which offer the card holders free miles for using a particular card. This shows how lucrative the credit card business is for the banks.

4.3 How Do Card-Backing Networks Make Money

Card backing networks such as Visa or MasterCard also get a cut out of the interchange fees which varies from the type of use made of the card. They have a complex pricing structure but as mentioned above, on average, about 0.5% of the volume of the transactions is pocketed by the networks. In addition, they charge fees from the card issuing banks for using their logo and payment processing network.

5. Sharīʿah Issues in PMCs

As mentioned above, PMCs are a financial innovation of great importance. Any innovation is not only acceptable from an Islamic perspective, but it is rather encouraged. However, it is important to ensure that it does not violate any specific text in the primary sources of Islamic law or the *maqāṣid al-Sharīʿah* in general. When it comes to Sharīʿah evaluation, jurists hardly look at the macro picture. The rulings depend on the nature of contracts between two parties. In evaluating new products, I have argued elsewhere(9) that the approach usually taken to fit a new product into the cast of a particular classical contract and then judging it on the basis of the rules applicable to that contract should be reconsidered by Islamic economists and jurists working together. Kahf and Amiirah Mohomed have evaluated a number of types of the so-called, Islamic

(7) Scott Schuh, Oz Shy and Joanna Stavins (2010).

(8) Merchants after a lot of lobbying have now been allowed in some places to charge "convenience fees" from credit card users as well. Despite that, due to the competition, merchants prefer to cover most of the interchange fees through 'implicit' marking up prices rather than explicit charges that show up in card holders' statements.

(9) Iqbal, Munawar (2007).

Bank Cards. By and large, they have followed the same approach. It is not my intention in this paper to discuss their arguments in the case of each type. In my view, a '*needs approach*' to financial engineering is desirable. Financial needs of both individuals and businesses have changed. If the needs are genuine (Islamically speaking), then the Islamic financial industry must either adapt them for its purposes or invent Islamic alternatives for them. It is in that vein that I present a few thoughts below.

It would be difficult for anyone to deny that PMCs are an innovation of great significance. As mentioned above, they help to create wealth for the society. Hardly anyone will disagree that their use has become a "need", which must be catered for. Therefore, we have to see what PMCs are needed for. Generally, PMCs are used by individuals for making payments or transferring credit. They offer a great convenience and banks can charge fees for facilitating that. The controversy arises when it comes to credit cards which, in addition to means of payments, also serve some other purposes. Shorn of details, the most important functions of a credit card are two. It allows a credit card holder to buy goods and services for which he can pay later. It also allows him to take a loan from the credit card issuer up to a limit called "credit card limit," which indicates the level of trust that the issuer has in the holder that the amount will be returned[(10)]. In practice, the banks allow a grace period (between 40-50) days during which the card holder can pay the bill for purchases made during the previous month without any interest. However, any cash withdrawal is subject to payment of interest with immediate effect and the outstanding amount of purchases after the grace period.

The word 'credit', when used in finance, refers to an arrangement by which one party provides resources to another party trusting that the second party will pay them back in future. The important point to note is that time is involved in taking resources and giving them back and whenever the time is involved in payments, the Islamic rules relating to *ribā* become relevant. The two such arrangements which are relevant to the discussion on credit cards are (i) cash withdrawn by the card holder, which is a loan and (ii) purchase of goods and services on deferred payment basis, which various scholars consider as *ḥawālah* (transfer of debt) or *wakālah* (agentship) etc. These, along with the Sharīʿah ruling about those, have been discussed by Kahf and Amiirah Mohomed. Many of those explanations need rethinking. However, I believe in a different approach altogether as discussed below.

It is well known that in contracts among human beings (*muʿāmalāt*), the basic rule is that of permission of contracting under any conditions if such conditions do not amount to permitting something prohibited or prohibiting something permissible in the primary sources of Islamic law. In the case of an apparent violation, the product has to be prohibited straightaway. However, a "needs approach" to financial engineering has to be adopted with a view to fulfilling the needs of people that a particular product was invented for. Every new product has some positive and some negative aspects. It is the job of the "relevant" specialists to determine: (i) what are the benefits for the individuals and/or the society (ii) what are the harms for the individuals and/or the society (iii) can the harms be avoided or minimized and (iv) if harms outweigh benefits, how the particular need(s) can be met by alternative means. On the basis of the above, Islamic jurists should then pass a judgment. Many International fiqh academies rely on studies carried out by specialists in a particular field, but the approach of trying to fit new products into the fold of one or the other classical contract creates a sense of conservatism due to the insistence on the fulfillment of the conditions of a 'particular 'contract rather than the fulfillment of *maqāṣid al-Sharīʿah*. With this cautionary note, let us look at the case of credit cards that carry an interest clause if payment is not made within the interest-free grace period.

Kahf (2001) makes an argument that in credit cards, interest clause is optional and would be invoked only by the choice of the user/holder of the credit card. This is because, even with this clause, one has the option to pay the credit card bill within its given grace period and to abstain from any cash withdrawals if it triggers interest. In this manner, the

(10) They also perform some ancillary functions. For example, they can be used as guarantee without need to pay. For example, many international hotels require a credit card guarantee while reserving a room. At the time of payment one may pay by some other means of payment, usually cash. The credit card is not charged.

card user would benefit from the credit card facility without being involved in any interest, given or taken. Therefore, signing a contract that gives an option to deal on interest or to have all transactions completely interest-free is permissible and cannot be prohibited in the Sharīʿah because the matter is left to the person's choice and Muslims should certainly choose not to deal with interest. In support of his argument, he quotes the following *hadīth*. Abu Hurayrah narrates that: "On the night Allah's Apostle was taken on a night journey (*miʿrāj*). During this journey, two cups, one containing wine and the other milk, were presented to him at Jerusalem. He looked at them and took the cup of milk. Gabriel said, "Praise be to Allah Who guided you to *al-fiṭrah* (the right natural path); if you had taken (the cup of) wine, your nation would have gone astray."[11]

I believe, the example quoted by Kahf does not apply to the case under discussion. In the example, Prophet Muhammad (peace be upon him) was offered two options. He *exercised* one of them. If a bank offers its clients an option between a PMC that has no interest clause and another one which does have such a clause, the choice for a Muslim client is clear. He must *exercise* his option in favor of the first one. The more relevant *naṣṣ* that is applicable to this case is the *ḥadīth* narrated by Ayishah (May Allah be pleased with her). She stated that:

> *"Whenever Prophet (pbuh) had to choose between two matters, he would always choose the easier option as long as no sin was involved in that option. In case, it involved a sin, he would distance himself from it more than any other person."*[12]

In the case of PMCs, there are products such as debit cards or pre-paid cards that do not carry an interest clause. The problem is that these alternatives generally do not fulfill all the needs of a Muslim consumer, especially one living in a non-Muslim country. Imagine a family traveling at night in the United States on an unfrequented highway and they run out of gasoline, or their car develops a technical problem. They stop at the next gas station. In many cases, the chances are that if they need gas, the boy serving at the pump will not fill any gas on cash payment. If it is a technical problem, the mechanic on the complex will refuse to fix it unless they pay by a credit card. For another example, consider a person traveling abroad who loses all his cash. If he has a credit card, he can withdraw the cash needed until he reaches back home. These are emergency situations and Islam has ways of handling emergency situations, the "doctrine of necessity". This doctrine is clearly established by the Qur'ānic verse, "He has forbidden you only carrion, and blood, and swine flesh, and that which has been immolated to (the name of) any other than Allah. But he who is driven by necessity, neither craving nor transgressing, it is no sin for him. Lo! Allah is Forgiving, Merciful." [Qur'ān, 2:173].

However, since this doctrine can be misused, a word of caution is in order. The doctrine of necessity is meant to be used very sparingly. It is a rule to handle emergencies. Even in emergencies, it does not provide an automatic and unrestricted suspension of the law. First of all, it has to be determined that a situation has arisen where the doctrine can be invoked. While in individual cases, it is the individual's conscience which will determine this; in the case of universal application, a ruling must be given by Sharīʿah scholars, in consultation with the experts of the concerned field. Secondly, the suspension of the normal law is not absolute. There are limits and conditions to be observed. The Qur'ānic text legitimizing the doctrine [Qur'ān, 2:173], itself lays down two basic conditions: (i) the user must accept the sanctity of the original law (implying a return to it as soon as possible) and in the meanwhile, (ii) using the exception to the minimum possible extent. In addition, the context of the verse imposes a third condition that the situation is of a real emergency (*iḍṭirār*).

There could be other non-emergency situations where a credit card may have to be used. We gave the example of e-commerce. It has become a "need" in present circumstances. In most cases, it saves a lot of resources; for example, buying a book from Amazon.com sitting in Saudi Arabia. In other instances it may be 'almost' necessary; for instance, paying for visa fees for your family coming from abroad or paying tuition fees for your children studying in a foreign country. Once again, Islamic rules can help. The case of

(11) Al-Bukhari (1422H) *Ṣaḥīḥ al-Bukhārī*, *ḥadīth* no. 6126.
(12) Muslim (1991) *Ṣaḥīḥ Muslim*, *ḥadīth* no. 2327.

salam sale is very instructive here. In general, it is not allowed to sell anything, which is not in one's possession at the time of the sale. But *bayʿ al-salam,* a sale in which a well-described commodity is bought on the basis of advance payment, with the delivery of the good postponed, was permitted by the Prophet (pbuh). He allowed such sales because of 'need' of the people but laid down clear rules to protect the interests of both parties.

Most types of PMCs, such as debit cards or prepaid cards, do not fulfill such needs because of their limited acceptance. Major international card networks such as Visa or MasterCard may not cover them. Credit cards can fulfill these needs. Therefore, carrying credit cards may be allowed on the basis of need. However, it is a responsibility of the *individual* using them to (i) use them sparingly (ii) make payments within the grace period or still better, to link the payment to one's bank account authorizing automatic full deduction when the credit card bill is due. In this case, all he has to do is to make sure that his account has enough balance to pay for the transactions carried out during the payment cycle.

6. Conclusions

Kahf and Amiirah Mohomed have discussed the nature of credit cards as well as the Sharīʿah rulings about various types in a professional manner. While I disagree with some of their analysis, they have done an excellent job in bringing the issues to the fore. I have attempted to evaluate credit cards (and other PMCs) both from an economic and Sharīʿah perspective. PMCs including credit cards are a useful invention. They are here to stay, and there is nothing wrong with them in general.

On the economics side, PMCs have a number of macro-economic implications. One of those is that they create wealth by saving resources in many economic activities. I have argued that once wealth has been created, it should be shared by the parties that help to create this wealth in an equitable manner. In my view, banks take a disproportionately high share of the wealth created by the use of PMCs. It should be realized that PMCs serve as a medium of exchange (as any other form of money) due to their general acceptance by the public. Therefore, a fair distribution of the wealth that is created by this invention mandates that individuals should get a reasonable share out of it. This could be in terms of lowering the fees charged by the issuing banks as well as the interchange fees. Banks should also consider that in return for the benefits that they get, they may not charge interest from individuals who fail to pay the full amount on time unless this is a persistent behavior of a particular card holder. In such cases, they may cancel the card instead of imposing the interest charges or demand collateral for its renewal. Since protection of general welfare is ultimately the responsibility of the state, this may require government intervention. Unfortunately, in most Muslim countries, "consumer protection laws" are very week. That allows the stronger and more organized parties (banks, merchants, and network companies) to exploit the consumers who are generally not that well-organized. That is one solution for the Sharīʿah compliance issues raised in the debate.

My view on the Sharīʿah issues relating to existing PMCs is that their use can be allowed. Islamic credit cards on the market, in general, create more problems than they solve. It is the responsibility of the *individual* to make his best efforts to avoid the controversial "interest invoking clause" in credit cards. Perhaps the best option is to carry two cards. One of the debit or pre-paid type or an ATM card; which he should use wherever possible. Another, a credit card having international acceptance, but he should take all precautions that the interest clause is not invoked. For Islamic banks issuing credit cards, my advice is that since they make a reasonable amount of money from merchants accepting their credit card, they should offer this convenience to their clients like issuing checkbooks to them. Like checkbooks, they can charge a fee for "each instance" of using the credit card irrespective of the amounts of the transactions. In the case of checks also, they charge a fixed fee for the checkbook. Each check contained in that book may be used to transact any amount. Many banks provide checkbooks without any charge. The same may also be considered for the use of credit cards. I would even suggest that since card issuing banks take the major share of the wealth created by the use of PMCs among the parties that make this process possible, regulating authorities should intervene to either get these fees waived or to get them minimized.

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