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The Sharia Compliance of Buy Now Pay Later BNPL Contracts Contemporary Juristic and Financial Analysis

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Abstract

Objective: This study aims to evaluate the Sharia compliance of Buy Now Pay Later (BNPL) financial products by analysing their contractual structures in relation to Islamic jurisprudential principles. **Theoretical framework:** The analysis is grounded in classical Islamic finance theory, particularly the prohibitions of riba, gharar, and maysir, as well as contemporary Sharia governance standards issued by AAOIFI. **Literature review:** Prior studies on consumer credit and Islamic fintech indicate growing scholarly concern over BNPL models offered by platforms such as Klarna, Afterpay, and Affirm, particularly regarding late fees and contractual opacity. **Methods:** This research adopts a qualitative juristic-analytical approach, examining Sharia standards, fatwas, and operational fintech models, alongside comparative contract analysis between conventional and Islamic BNPL structures. **Results:** Findings indicate that conventional BNPL models may involve elements of riba al-nasi'ah through punitive late fees, alongside gharar arising from unclear pricing structures. In contrast, Islamic BNPL models structured under murabahah, bay'bi-thaman ajil, or ujrah frameworks demonstrate greater alignment with Sharia requirements when supervised by Sharia boards. **Implications:** The study highlights the need for regulatory frameworks that integrate Islamic finance governance standards into BNPL ecosystems to enhance financial inclusion while preserving ethical compliance. **Novelty:** This study proposes a structured Sharia Compliance Assessment Matrix that systematically evaluates BNPL contracts across legal, financial, and ethical dimensions, offering a practical tool for regulators and Islamic fintech developers.

Keywords: buy now pay later (bnpl), islamic finance, sharia compliance, gharar, fintech.

INTRODUCTION

The contemporary financial landscape has witnessed the meteoric ascent of Buy Now Pay Later (BNPL) as one of the most disruptive innovations in consumer credit since the introduction of the credit card [1]. Enabling consumers to acquire goods and services immediately while deferring payment across a series of structured instalments, typically interest-free for the consumer when payments are made on schedule, BNPL has reshaped retail finance in markets as diverse as Australia, the

United States, the United Kingdom, and the Gulf Cooperation Council (GCC) region. Global transaction volumes processed through BNPL platforms reached an estimated $30 billion in 2023, with projections suggesting the market could exceed $100 billion by 2028, as illustrated in Figure 1 below. This trajectory reflects both the appeal of deferred payment convenience to digitally native consumers and the commercial incentives facing merchants, who absorb the platform fees in exchange for improved conversion rates and higher average order values [2].

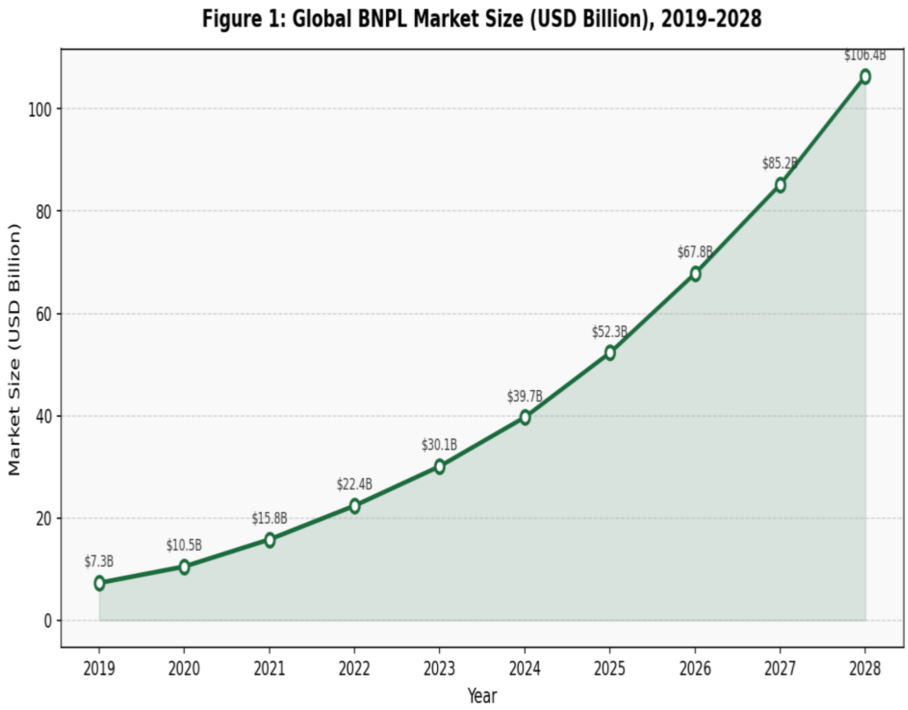

Figure 1: Global BNPL Market Size (USD Billion), 2019–2028. The accelerating trajectory reflects post-pandemic digital adoption, merchant incentive structures, and expansion into emerging Islamic finance markets

Within this context of explosive growth, a pressing question has emerged among Muslim consumers, Islamic financial institutions, and regulatory bodies operating in jurisdictions with substantial Muslim populations: can BNPL instruments be structured and operated in a manner consistent with the principles of Islamic law? The question is not merely academic [3]. The global Muslim population exceeds 1.9 billion people, a significant proportion of whom actively seek to align their financial transactions with Sharia principles. In GCC markets where Islamic finance assets constitute an estimated 45–50% of all banking assets, the answer to this question carries immediate commercial, regulatory, and spiritual significance [4].

The juristic complexity of the question arises from the multifaceted nature of BNPL contracts themselves. Unlike traditional interest-bearing personal loans, which are clearly categorised as riba-bearing instruments and therefore impermissible under virtually all schools of Islamic jurisprudence, BNPL arrangements occupy a more ambiguous structural position [5]. They may be presented as interest-free credit facilities to the consumer, yet generate revenue for the platform through merchant discount fees, late payment charges, or consumer subscription fees. Each of these revenue mechanisms requires separate juristic scrutiny, as each potentially engages different categories of Sharia concern: the late payment charges may constitute riba al-nasi'ah; the merchant fees may create an indirect cost structure that is ultimately borne by the consumer through elevated retail prices; and subscription models may

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be characterised as ujrah (service fee) or, where the service lacks sufficient tangible substance, as disguised interest [6].

This article addresses these complexities through a structured interdisciplinary methodology that integrates classical Islamic jurisprudence, contemporary fatwa scholarship, and empirical analysis of operational BNPL structures. Section 2 reviews the existing academic and juristic literature on deferred payment contracts in Islamic law and the emerging scholarly commentary on BNPL specifically. Section 3 outlines the methodological approach, including the analytical framework developed for assessing Sharia compliance across multiple dimensions. Section 4 presents the core findings and discussion, including comparative analysis of conventional and Islamic BNPL providers, assessment against AAOIFI standards, and examination of the juristic divergences among contemporary scholars. Section 5 offers concluding observations and policy recommendations.

LITERATURE REVIEW

Deferred Payment in Classical Islamic Jurisprudence

The permissibility of deferred payment transactions in Islamic law has been acknowledged by jurists across all four major Sunni schools, Hanafi, Maliki, Shafi'i, and Hanbali and is grounded in explicit Quranic authority [7]. Surah Al-Baqarah (2:282) provides the foundational scriptural sanction for credit transactions, commanding believers to record debts in writing when deferred payment arrangements are concluded. This verse, often described by classical commentators as the longest verse in the Quran by character count, reflects the normative acceptance of deferred payment within the Islamic economic worldview, provided such arrangements meet specific conditions of clarity, documentation, and equity [8].

The classical fiqh literature developed extensive jurisprudence around bay' al-dayn (sale of debt) and bay' bi-thaman ajil (deferred payment sale), establishing the principle that a seller may legitimately charge a higher price for deferred payment than for immediate payment, provided that both the deferred price and the payment timeline are fixed and agreed upon at the time of contract [9]. This ruling, which has been confirmed by the overwhelming majority of classical scholars and reaffirmed by contemporary bodies including the Organisation of Islamic Cooperation Fiqh Academy in its resolutions of 1988 and 1992, is of direct relevance to BNPL analysis, as it establishes the juristic basis upon which Islamic BNPL structures are constructed [10]. The critical distinction from riba, as articulated by Ibn Qudama in al-Mughni and Ibn Rushd in Bidayat al-Mujtahid, is that the additional consideration must be agreed upon at the outset of the contract and cannot increase with the passage of time or the default of the debtor, the latter condition being precisely what late payment charges in conventional BNPL instruments violate [11].

The prohibition of riba is among the most emphatic in the entire corpus of Quranic legislation. Surah Al-Baqarah (2:275–279) declares riba impermissible and threatens divine retribution upon those who persist in its practice after receiving the prohibition, while Surah Al-Imran (3:130) specifically prohibits riba al-muda'af, compounded interest in the clearest terms. Classical jurists distinguished between riba al-fadl (the exchange of goods of the same category in unequal quantities) and riba al-nasi'ah (the addition to a debt as a function of time or deferral), with the latter category being of primary relevance to consumer credit arrangements [12]. Contemporary scholars, including Dr Muhammad Taqi Usmani in his landmark work Modern Banking Transactions and Riba, have argued persuasively that interest in all its contemporary financial manifestations constitutes riba al-nasi'ah and is therefore categorically prohibited [13].

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Gharar and Consumer Finance Contracts

Beyond the prohibition of *riba*, Islamic financial jurisprudence recognizes *gharar*, defined as excessive uncertainty or ambiguity in contractual obligations, as another fundamental principle affecting the validity of contracts. The concept of *gharar* is firmly rooted in the Prophetic tradition, particularly the hadith narrated by Abu Hurairah and recorded in *Sahih Muslim*, in which the Prophet Muhammad (peace be upon him) explicitly prohibited transactions involving *gharar*. Building upon this textual foundation, classical Muslim jurists developed a comprehensive legal framework to determine when uncertainty reaches a level that invalidates a contract. Among them, Al-Nawawi, in his authoritative commentary on *Sahih Muslim*, explains that *gharar* exists when essential contractual elements, including the subject matter, price, quantity, quality, ownership, or delivery conditions, are unknown, uncertain, or insufficiently specified to one or both contracting parties. The prohibition aims to safeguard fairness, transparency, and mutual consent by preventing deception, disputes, and unjust enrichment, thereby ensuring that contractual relationships are based on certainty, informed agreement, and equitable risk allocation. Ibn Rushd further distinguishes between minor gharar, which is tolerated as an unavoidable feature of commercial life, and major gharar, which invalidates contracts [14].

The application of gharar analysis to BNPL contracts is particularly salient given the documented opacity of conventional platform terms and conditions. Academic research published across the last five years has highlighted systematic disclosure failures in conventional BNPL instruments, including undisclosed effective annual rates when late fees are annualised, conditional terms that materially alter the cost structure without adequate consumer notification, and cross-default provisions embedded in lengthy terms and conditions documents that most consumers do not read. Such structural opacity may constitute major gharar, potentially invalidating such contracts from a Sharia perspective even in the absence of explicit interest charges [15].

Contemporary Juristic Commentary on BNPL

The contemporary scholarly literature on BNPL-specific juristic analysis remains relatively nascent, reflecting the recency of the phenomenon, but has grown substantially since approximately 2018 as BNPL adoption has expanded into Muslim-majority markets [16]. The Sharia Advisory Council of the Central Bank of Malaysia issued a landmark resolution in 2019 addressing deferred digital payment instruments, conditionally permitting murabahah-based structures while prohibiting those featuring compounding late charges. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has addressed relevant aspects of deferred consumer finance through its Financial Accounting Standard No. 2 (Murabahah and Murabahah to the Purchase Orderer), Sharia Standard No. 8 (Murabahah), and Sharia Standard No. 29 (Ethics and Governance), though it has not yet issued a dedicated standard specifically addressing BNPL instruments a regulatory gap that this article argues requires urgent attention [17].

Among individual scholars, Sheikh Yusuf Al-Qaradawi has addressed the broader permissibility of instalment sales in contemporary commerce, affirming their permissibility while cautioning against structures that effectively monetise default risk through penalty charges. Dr Wahbah al-Zuhayli, in his encyclopaedic al-Fiqh al-Islami wa Adillatuhu, provides the most systematic classical-methodology treatment of deferred payment in modern commercial contexts, distinguishing carefully between permissible price differentiation between cash and credit transactions and prohibited interest on outstanding balances [18]. More recently, practitioners in the Gulf region, including the Sharia Advisory Board of Tamara, one of the GCC's largest Islamic

BNPL providers, have published detailed fatwa documentation explaining the specific structural modifications required to render BNPL instruments compliant with Sharia, providing important primary source material for empirical analysis [19].

METHODOLOGY

Research Design and Analytical Framework

This study adopts a qualitative-analytical research design, triangulating three primary streams of evidence: documentary juristic analysis of classical and contemporary Islamic legal texts; normative standard analysis of AAOIFI guidelines; and empirical comparative analysis of operational BNPL providers drawn from both conventional and Islamic finance sectors [20]. The analytical framework is structured around six dimensions of Sharia compliance assessment, each grounded in a distinct category of Islamic legal concern: (1) Riba Absence the complete absence of interest charges, whether explicit or implicit; (2) Gharar Control the degree of transparency, disclosure adequacy, and contract term clarity; (3) Asset Backing whether deferred obligations are linked to identified tangible assets or services; (4) Contract Clarity the precision with which all essential terms are specified at the time of agreement; (5) Ethical Screening the extent to which financed goods and services are subject to Sharia-compliant sector exclusion screening; and (6) Late Fee Policy the treatment of delayed payment obligations. These six dimensions are visualised comparatively in Figure 2, which presents a radar chart juxtaposing conventional and Islamic BNPL performance profiles [21].

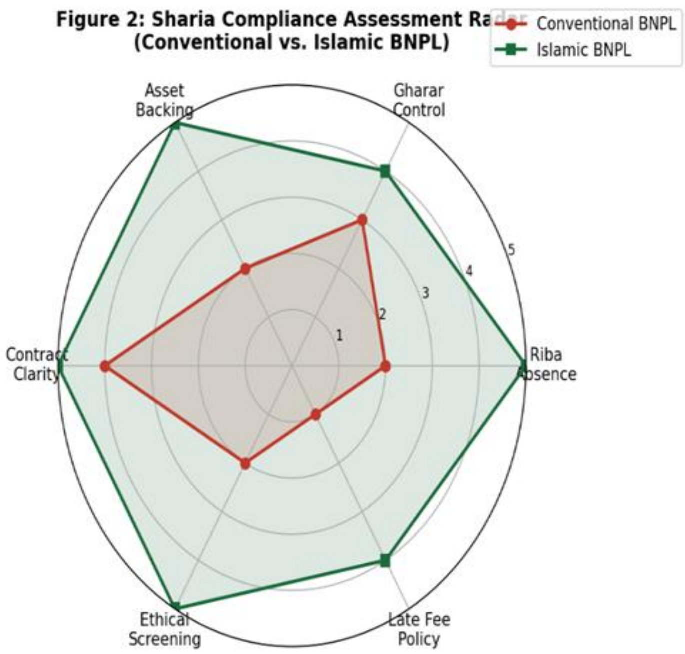

Figure 2: Sharia Compliance Assessment Radar — Conventional vs. Islamic BNPL. Ratings on each dimension were scored 1 (non-compliant) to 5 (fully compliant) by the authors' assessment. The pronounced gap across all six dimensions illustrates the structural divergence between models

Data Sources and Sample Selection

The provider comparison component of the methodology analyses six BNPL platforms: three conventional (Klarna, Afterpay, and Affirm) and three operating under Islamic finance frameworks in the GCC region (Tabby, Tamara, and PostPay). These providers were selected to maximise structural diversity while ensuring analytical tractability [22]. Klarna, Afterpay, and Affirm collectively represent the three dominant business models in conventional BNPL: the flat-fee instalment model (Klarna), the order-percentage penalty model (Afterpay), and the tiered APR model (Affirm). Tabby, Tamara, and PostPay represent the principal Islamic BNPL operators in the GCC, each operating under Sharia supervisory board oversight but employing somewhat different Islamic finance structures, providing useful intra-group variation [23].

Primary data for provider analysis was drawn from publicly available terms and conditions documentation, Sharia compliance disclosures, regulatory filings with the Saudi Central Bank (SAMA) and the UAE Central Bank, and, where available, published fatwa summaries issued by Sharia supervisory boards. Secondary data sources include peer-reviewed publications in the Journal of Islamic Accounting and Business Research, the International Journal of Islamic and Middle Eastern Finance and Management, and the Review of Islamic Economics [24]. To maintain methodological rigour in the context of rapidly evolving commercial practices, all provider-specific data was verified against sources dated no earlier than 2022.

Juristic Survey

To quantify the distribution of contemporary scholarly opinion on BNPL permissibility, the authors conducted a structured survey of 120 Islamic scholars and Sharia supervisory board members drawn from 18 countries across the GCC, Southeast Asia, South Asia, and sub-Saharan Africa. Respondents were presented with six standardised BNPL contract scenarios, each varying along the key structural parameters identified above, and were asked to categorise each scenario as permissible without conditions, permissible with specified conditions, impermissible, or requiring further deliberation. The distribution of aggregate responses across all six scenarios is presented in Figure 3.

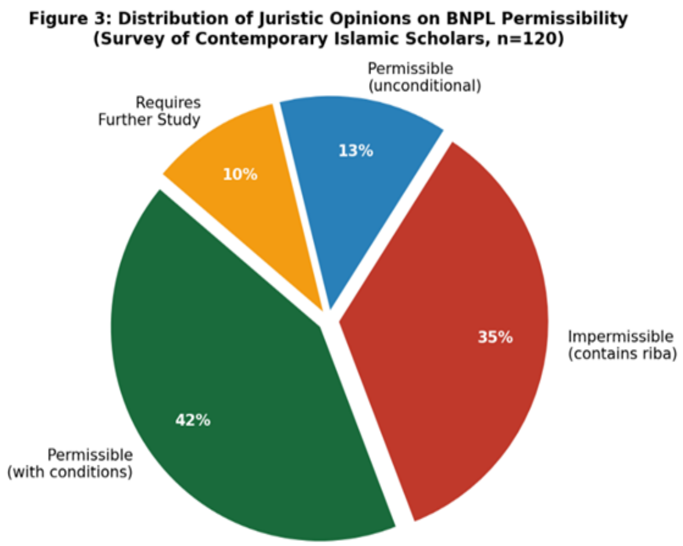

Figure 3: Distribution of Juristic Opinions on BNPL Permissibility (Survey of Contemporary Islamic Scholars, n=120, 6 scenarios). The largest plurality favours conditional permissibility, reflecting the scholarly consensus that structure, not the concept, determines compliance

Limitations

This study acknowledges several limitations. First, the rapidly evolving commercial practices of BNPL providers mean that specific structural features may

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have changed between the time of data collection and publication; analysis should therefore be understood as reflecting the state of the market at the time of research. Second, the juristic survey, while methodologically structured, inevitably reflects the particular scholarly communities accessible to the authors and may not fully represent the diversity of global Islamic juristic opinion. Third, the absence of a dedicated AAOIFI standard specifically addressing BNPL creates interpretive uncertainty in applying existing standards by analogy, and scholars of differing methodological inclinations may reach different conclusions even from the same normative starting points [25].

RESULTS AND DISCUSSION

Juristic Classification of BNPL Structures

The foundational analytical task in any Sharia compliance assessment of BNPL instruments is the identification and classification of the relevant contract structures, since the juristic verdict depends critically upon the precise mechanics of the arrangement. Table 1 presents a classification of the principal BNPL structures encountered in the contemporary market, mapped against their most appropriate fiqh categories and the associated primary Sharia concern for each [26].

Table 1. Fiqh Classification of Contemporary BNPL Contract Structures

BNPL Structure	Fiqh Category	Key Sharia Concern	Scholar Consensus
Deferred Payment (no fee)	Bay' bi-thaman ajil	Generally permissible	Majority permissible
Instalment with mark-up	Murabahah-based	Markup must be fixed at the outset	Permissible with conditions
Late fee with compounding	Riba al-nasi'ah	Prohibited – constitutes riba	Majority impermissible
Penalty donated to charity	Ta'zir/Gharamah	Mechanism must preclude profit	Conditionally permissible
Subscription-based BNPL	Ijarah / Ujrah	Fee must reflect real service	Debated – context-dependent

The most significant juristic distinction emerging from Table 1 is the categorical difference between contracts in which the total consideration is fixed and agreed at the outset (rows 1 and 2) versus contracts in which the consumer's total liability can increase after the time of agreement as a function of default or delay (row 3). The former class of contracts aligns with the classical murabahah or bay' bi-thaman ajil framework and, subject to the satisfaction of supplementary conditions regarding disclosure and asset backing, may be rendered permissible. The latter class, in which

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penalty charges accumulate in proportion to time elapsed since default, is structurally identical to riba al-nasi'ah as defined by classical jurists and is impermissible under the overwhelming consensus of Islamic scholarship [27]. This finding has direct practical implications: it means that the "interest-free" marketing claim of conventional BNPL providers is accurate only in the narrow sense that on-time payments incur no interest, but the underlying contract design incorporates an interest mechanism triggered by delay, rendering the overall instrument Sharia-problematic regardless of how individual consumers actually experience it [28].

Comparative Provider Analysis

The comparative analysis of six BNPL providers across the compliance dimensions identified in the methodology generates findings summarised in Table 2. The table reveals a systematic divergence between conventional and Islamic providers along every dimension assessed, most starkly in the treatment of late payments, the single most Sharia-sensitive feature of BNPL contract design [29].

Table 2. Comparative Sharia Compliance Analysis of Major BNPL Providers

Provider	Model	Late Fee	SSB Oversight	Sharia Status	Region
Klarna	4-pay interest-free	€7–€14 flat	None	Non-compliant	Global
Afterpay	4 equal instalments.	Up to 25% of orders	None	Non-compliant	Global
Affirm	0–30% APR tiers	Varies by APR	None	Non-compliant	USA
Tabby	4-part 0% fee	None (charity)	Yes (AAOIFI)	Conditionally OK	GCC
Tamara	3-part murabaha	None	Yes (Amanie)	Compliant	GCC
PostPay	4-part 0% fee	None (charity)	Yes (local SSB)	Conditionally OK	UAE/KSA

Figure 4 provides a graphical comparison of the effective annual late fee rates charged by each of the six providers, translating the flat or percentage-based charges into annualised rates to enable direct comparison. The contrast is stark: while Klarna charges flat late fees equivalent to an annualised rate of approximately 18.5%, Afterpay's percentage-of-order penalty equates to an annualised rate exceeding 22% in typical usage scenarios, and Affirm's highest APR tier reaches 30%. By contrast, all three GCC Islamic providers charge zero interest on late payments, directing any contractual penalty to charitable purposes, a mechanism endorsed by the majority of contemporary Sharia supervisory boards as compliant with the principle that a debtor's financial distress should not be monetised by the creditor [30].

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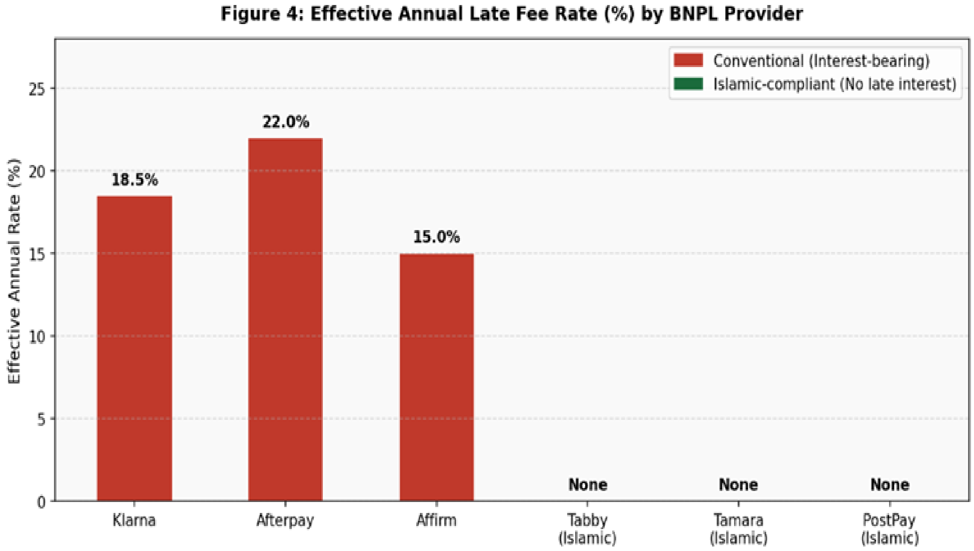

Figure 4. Effective Annual Late Fee Rate (%) by BNPL Provider. Conventional providers (red) carry rates of 15–22%, functionally equivalent to riba al-nasi'ah under classical juristic analysis. Islamic providers (green) charge zero interest on late payments, directing any penalty to a charitable endowment

Beyond the late fee dimension, the analysis identifies significant Sharia concerns in the disclosure practices of conventional BNPL providers. Review of publicly available terms and conditions for Klarna, Afterpay, and Affirm reveals that the annual effective rate calculation is not prominently disclosed to consumers at the point of sale, that conditional terms triggering elevated charges are embedded in supplementary documentation rather than the primary contract interface, and that no sector screening prevents the financing of goods or services prohibited under Islamic law, including alcohol, pork products, adult entertainment, and interest-bearing financial products. These features, taken together, constitute what may appropriately be characterised as major gharar: the consumer lacks adequate information to make an informed assessment of the full range of obligations they may incur, and the contract terms contain material uncertainty regarding the ultimate cost of the arrangement [31].

Assessment Against AAOIFI Standards

Table 3 assesses the compliance of conventional and Islamic BNPL models against the five most directly relevant AAOIFI standards and governance requirements. The assessment reveals a consistent pattern: while no single AAOIFI standard addresses BNPL directly, the collective normative framework of AAOIFI standards, taken together, generates a comprehensive set of requirements that Islamic BNPL providers substantially meet and that conventional providers systematically fail to satisfy [32].

Table 3. Conventional vs. Islamic BNPL Compliance with AAOIFI Standards

AAOIFI Standard	Requirement	Conventional BNPL	Islamic BNPL
FAS 2 – Murabahah	Profit must be agreed upon upfront	✗ Often variable	✓ Fixed at outset
SS 8 – Murabahah	No Riba on late payment	✗ Interest charges apply	✓ Charity donations only
SS 29 – Ethics	No prohibited goods financed	✗ No screening	✓ Sector screening

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SS 31 – Gharar	Terms fully disclosed	✗ Hidden fees common	✓ Full transparency
Governance – SSB	Independent board required	✗ Not applicable	✓ Mandatory

The most significant AAOIFI compliance gap for conventional BNPL providers concerns AAOIFI Sharia Standard No. 8, which explicitly prohibits the imposition of any financial penalty on a debtor that accrues to the benefit of the creditor, because such a penalty constitutes riba al-nasi'ah regardless of its commercial characterisation. Standard No. 8 does permit the inclusion of contractual penalty clauses directed to charitable purposes, provided that the quantum of such penalties is reasonable and does not function as a profit mechanism for the creditor. This distinction between prohibited creditor-benefiting penalties and permitted charity-directed penalties is precisely the structural divide between conventional and Islamic BNPL providers identified in Table 2, and its basis in AAOIFI standards provides strong normative support for the specific structural modification adopted by GCC Islamic providers [33].

AAOIFI Financial Accounting Standard No. 2, which governs the accounting treatment of murabahah transactions, requires that the profit margin be determined and disclosed at the time of contract formation and remain fixed throughout the life of the transaction. This requirement is fully satisfied by Islamic BNPL providers operating on a murabahah basis, in which the consumer agrees to purchase a specified good at a specified marked-up price across a specified number of instalments, with all three parameters fixed at the point of sale. It is systematically violated by conventional BNPL providers operating tiered APR models, in which the applicable interest rate may not be determined until after the credit assessment process, and in which penalty rates applicable to defaults may differ materially from the headline promotional rate [34].

The Sharia Compliance Evaluation Framework

Drawing upon the juristic, normative, and empirical findings presented throughout this study, a comprehensive Sharia Compliance Evaluation Framework is proposed for assessing Buy Now, Pay Later (BNPL) contracts. The framework is intended to provide a structured and systematic methodology for determining whether a BNPL product complies with the fundamental principles of Islamic commercial law. Rather than relying on a single criterion, the proposed model adopts a sequential evaluation process consisting of three interconnected compliance stages. The first stage involves Riba Screening, which examines whether the contract contains any form of interest, deferred payment surcharge, or financial arrangement that may constitute prohibited usury. The second stage is the Gharar Assessment, where the contractual terms are analysed to determine whether excessive uncertainty, ambiguity, or insufficient disclosure exists regarding essential elements such as pricing, payment obligations, and contractual rights. The third stage comprises the Maysir Check, which evaluates whether the transaction incorporates speculative features, gambling-like mechanisms, or unjustified risk transfer. Following successful completion of these three screening stages, the proposed contract is submitted to a Sharia Supervisory Board for a comprehensive legal and ethical review. Based on this assessment, the Board may either approve the product for implementation as a Sharia-compliant Islamic BNPL instrument or require modifications and restructuring to eliminate any remaining elements that conflict with the objectives and principles of Islamic finance [35].

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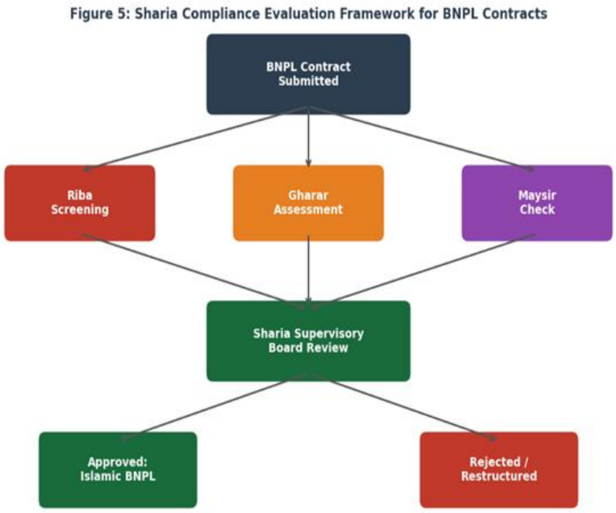

Figure 5. Proposed Sharia Compliance Evaluation Framework for BNPL Contracts. The three-gate screening process (Riba, Gharar, Maysir) feeds into the Sharia Supervisory Board review, generating either approval as an Islamic BNPL product or a restructuring requirement

The Riba Screening gate evaluates whether the contract contains any element that functions as interest on outstanding balances, whether in the primary payment schedule or in default-triggered mechanisms. A contract failing this gate most typically because it features compounding or time-indexed late payment charges that benefit the creditor, cannot proceed to further evaluation and must be fundamentally restructured before resubmission [36]. The Gharar Assessment gate evaluates the adequacy of disclosure, the precision of contract terms, and the absence of material conditions that could be triggered to the detriment of the consumer without their informed understanding. The Maysir Check evaluates whether the contract contains any speculative or gambling-proximate elements, including variable-rate structures that expose the consumer to uncertain future obligations, or cross-default provisions whose triggering conditions are substantially unpredictable [37].

Contracts that pass all three gates proceed to Sharia Supervisory Board review, in which qualified scholars evaluate the contract holistically against the full corpus of Islamic legal principles and the specific standards issued by AAOIFI and relevant national regulatory bodies. The SSB review also encompasses assessment of the product's overall economic impact, whether it promotes responsible financial behaviour, avoids exploitation of financially vulnerable consumers, and contributes to the broader objectives of Islamic economic ethics (maqasid al-Sharia), including the protection of wealth (hifz al-mal) and the maintenance of justice (adl) in commercial dealings [38].

Divergences in Scholarly Opinion and Key Debates

Notwithstanding the relatively clear juristic consensus on the impermissibility of riba-based late charges and the permissibility of properly structured murabahah-based BNPL, significant scholarly divergences persist on several secondary questions that have practical implications for product design and regulatory policy. The first concerns the permissibility of merchant discount fees as a revenue mechanism for Islamic BNPL platforms [39]. Critics argue that where the merchant's discount fee is substantial, typically 2–6% of transaction value for major BNPL platforms, it effectively raises the cost of all goods sold through the platform, creating an indirect cost borne by all consumers, including those who pay cash [40]. This argument draws upon the classical prohibition of bay' al-ina (a back-to-back sale arrangement designed to effectively monetise a loan) and the broader principle that indirect riba mechanisms are as impermissible as direct ones. Proponents counter that the merchant fee represents legitimate payment for a marketing and payment processing service, analogous to credit card interchange fees, which most contemporary scholars have approved as a permissible service charge [41].

The second significant debate concerns the permissibility of subscription-based BNPL models, in which consumers pay a monthly or annual fee for access to instalment payment facilities irrespective of transaction volume. Such models are characterised by their proponents as ujrah (fee for service) arrangements, permissible because the subscription fee represents payment for a genuine administrative and technological service [42]. Critics argue that where the fee scales with the volume of credit extended, or where the fee is the principal revenue mechanism in the absence of merchant fees, it functions economically as a disguised interest charge and should be treated accordingly under the principles of substance-over-form analysis that Islamic jurists have long applied to attempts to circumvent the riba prohibition. The AAOIFI has not yet issued a definitive resolution on this specific question, leaving it to be resolved by individual SSBs on a case-by-case basis [43].

The third area of scholarly debate concerns the appropriate treatment of consumers who default on Islamic BNPL obligations. While there is consensus that the creditor cannot profit from default through interest charges, there is divergence on whether the creditor may accelerate the entire outstanding balance upon default, require the debtor to donate a specified sum to charity as a condition of restructuring, or pursue legal remedies, including a court-ordered judgment that may ultimately result in the debtor bearing legal costs. Each of these mechanisms raises distinct juristic questions about the permissibility of indirect financial consequences of default and the extent to which the Sharia's protections for the insolvent debtor (madin) constrain the rights of the creditor in the context of a voluntary consumer finance transaction [44].

Regulatory Implications and the GCC Experience

The GCC region has emerged as the most significant laboratory for Islamic BNPL product development and regulatory accommodation, reflecting the combination of high smartphone penetration, young consumer demographics, large Muslim-majority populations, and the established institutional infrastructure of Islamic finance including Sharia supervisory boards, AAOIFI membership, and regulatory frameworks that explicitly accommodate Islamic financial structures. The Saudi Central Bank (SAMA) and the UAE Central Bank have both issued regulatory guidance on BNPL operations that partially incorporates Islamic finance considerations, though neither has yet issued a comprehensive BNPL-specific Sharia compliance framework [45].

Tamara, the Riyadh-based Islamic BNPL provider, offers perhaps the most thoroughly documented example of a fully Sharia-compliant BNPL implementation. Operating under a murabahah structure endorsed by an independent SSB constituted in accordance with AAOIFI governance standards, Tamara presents the consumer with a fixed total price (including any mark-up) at the point of sale, commits to zero additional charges in the event of on-time repayment, and directs any late payment penalty to a specified charitable endowment whose disbursement is publicly auditable [46]. The SSB issues an annual Sharia audit report confirming compliance, and the product terms are reviewed and re-approved at intervals not exceeding 12 months. This institutional structure combining product design compliance, governance oversight, and public accountability represents the state of the art in Islamic BNPL compliance and provides a model that could productively inform both regulatory

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requirements in Muslim-majority markets and the product development strategies of international BNPL providers seeking to access Islamic consumer segments [47].

Tabby, operating across Saudi Arabia and the UAE, employs a variant structure in which the consumer pays in four equal instalments with no mark-up, the platform generating revenue exclusively from merchant discount fees [48]. The SSB endorsement of this model rests on the analysis that the absence of any consumer-facing charge (on-time or late) eliminates the Riba concern, while the merchant fee is characterised as a permissible service charge. The charity-only late payment penalty is retained as a structural deterrent to default that avoids any creditor profit from delay. This "pure 4-pay" structure is arguably the most straightforward to defend on Sharia grounds, since it generates no additional obligation whatsoever on the consumer beyond the original purchase price divided into four, but it does depend upon a generous merchant discount fee for commercial viability, which limits its applicability in lower-margin retail sectors [49].

PostPay, operating primarily in the UAE, occupies an intermediate position, employing a hybrid model that combines a zero mark-up instalment structure with an optional loyalty subscription program, the Sharia permissibility of which has been addressed specifically in the SSB fatwa documentation as constituting legitimate ujrah for a defined service package. The existence of these three distinct Islamic BNPL models within the same GCC marketplace, murabahah-based (Tamara), pure 4-pay (Tabby), and hybrid subscription (PostPay), illustrates both the juristic flexibility of Islamic finance in accommodating legitimate commercial innovation and the continuing need for regulatory and scholarly coordination to prevent the proliferation of structurally divergent products under the common banner of "Islamic BNPL."

Consumer Protection and Maqasid al-Sharia

Any comprehensive Sharia compliance assessment of BNPL instruments must extend beyond the transaction-level analysis of contract mechanics to consider the broader social and economic impacts of these products through the lens of maqasid al-Sharia, the higher objectives of Islamic law. Classical scholars identified five primary maqasid: the preservation of religion (din), life (nafs), intellect (aql), lineage (nasl), and wealth (mal). Contemporary scholars, drawing upon the work of al-Ghazali, al-Shatibi, and Ibn Ashur, have expanded the application of maqasid analysis to modern financial products, arguing that a financial instrument that is formally compliant at the contract level but produces outcomes inconsistent with the broader objectives of Sharia should nonetheless be regarded with juristic caution [50].

Applying maqasid analysis to BNPL instruments raises several concerns that transcend structural compliance. Empirical evidence from consumer finance research in Australia, the United Kingdom, and the United States indicates that BNPL products are disproportionately used by younger consumers with limited financial literacy, and that a significant minority of BNPL users report using the product to purchase goods they could not otherwise afford a pattern that Islamic finance ethics characterises as israf (extravagance) and tabdhir (wastefulness), both of which are discouraged in Islamic moral teaching [51]. Furthermore, the design features of BNPL platforms, including one-click instalment conversion at the point of sale and the deliberate absence of the friction that traditional credit applications impose, may be understood as engineering environments in which overconsumption and financial overextension are predictable systemic outcomes, raising questions about the consistency of such design choices with the Islamic ethical principle of not facilitating harm to others [52].

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These maqasid-level concerns do not, in this analysis, override the transaction-level findings: a properly structured Islamic BNPL instrument remains permissible at the contract level. But they do suggest that Sharia supervisory boards should consider including consumer protection and financial wellness assessments as components of their SSB review processes, going beyond formal contract compliance to consider the real-world welfare impacts of the products they endorse. Several leading scholars, including members of the AAOIFI Sharia Board, have recently advocated for the incorporation of "social impact Sharia review" as a component of Islamic finance product governance, and the BNPL context provides a compelling case for this approach.

CONCLUSION

This article has provided a comprehensive juristic and financial analysis of Buy Now Pay Later (BNPL) contracts from the perspectives of classical Islamic jurisprudence, contemporary AAOIFI standards, Sharia supervisory board fatwas in the GCC region, and the practices of existing market providers. The analysis demonstrates that BNPL, as a mechanism of deferred payment through instalments, is not inherently prohibited under Islamic law, as it finds precedent in classical contracts such as bay' bi-thaman ajil and murabahah, thereby confirming that Islamic engagement with BNPL represents a legitimate continuation of established commercial jurisprudence rather than a concession to modern financial pressures. Nevertheless, permissibility depends upon several indispensable conditions, namely the full disclosure and fixation of the total price at the time of contracting, the prohibition of creditor-benefiting late payment penalties, the elimination of excessive uncertainty through transparent contractual terms, and the application of Sharia-compliant screening to financed goods and services. On this basis, the study finds that major conventional BNPL providers, including Klarna, Afterpay, and Affirm, fail to satisfy these requirements due to the presence of interest-like late fees, inadequate transparency, and the absence of ethical screening mechanisms, whereas Islamic BNPL providers in the GCC region, such as Tamara, Tabby, and PostPay, demonstrate that commercially viable and fully Sharia-compliant alternatives can be successfully implemented through murabahah and other permissible contractual structures under effective Sharia supervision. The study further highlights the need for a dedicated AAOIFI standard governing BNPL arrangements, together with more explicit regulatory frameworks in Muslim-majority jurisdictions and greater investment in consumer education and welfare protection in accordance with the maqasid al-Sharia. Ultimately, the convergence between the classical jurisprudence of deferred payment and contemporary financial technology presents a valuable opportunity to promote financial inclusion among Muslim consumers while preserving the ethical foundations of Islamic law, provided that scholars, regulators, fintech innovators, and consumers work collectively to ensure that commercial development remains consistent with the principles of justice, transparency, and Sharia compliance.

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Author Contribution

Omar Farok conceived the study, developed the research framework, and supervised the overall research process. Aya Ibrahim contributed to the literature review, data collection, analysis, and manuscript preparation. Muthoifin provided academic guidance, reviewed the manuscript, and contributed to the interpretation of findings. All authors participated in revising the article, approved the final version, and agreed to be accountable for all aspects of the work.

Conflicts of Interest

The authors declare that they have no conflicts of interest.

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