

**ANALYSING SHARĪ'AH COMPLIANCE IN BUY NOW
PAY LATER MODELS: A COMPARATIVE STUDY OF
SHOPEE AND LAZADA**

BY

MUAZ BIN ABDULLAH

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

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MUAZ BIN ABDULLAH

A dissertation submitted in fulfilment of the requirement for
the degree of Master of Islamic Revealed Knowledge and
Heritage in Fiqh and Usul al-Fiqh

AbdulHamid AbuSulayman
Kulliyyah of Islamic Revealed Knowledge and
Human Sciences
International Islamic University Malaysia

FEBRUARY 2026

ABSTRACT

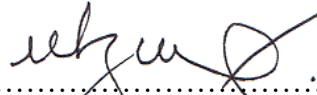
Buy Now, Pay Later (BNPL) services have gained wide adoption in Malaysia's e-commerce sector, particularly through platforms such as Shopee and Lazada, yet their compliance with sharī'ah principles remains debated. This study examines the sharī'ah compliance of Shopee Pay Later and Lazada Pay Later by focusing on three main aspects: the prohibition of ribā (interest), the avoidance of *gharār* (uncertainty), and the application of appropriate sharī'ah contracts (*takyīf fiqhī*). The study adopts a qualitative approach based on library research, publicly available online materials, and comparative analysis, as full BNPL contractual details are not publicly disclosed. It analyses fee structures, contractual relationships, and late payment mechanisms with reference to classical Islamic contracts such as *bay' al-mu'ajjal*, *murābahah*, *ijārah*, *wakālah*, and *qard*. The findings show that Shopee Pay Later, which has obtained sharī'ah certification from Amanie Advisors, offers clearer contractual terms and greater transparency, whereas Lazada Pay Later lacks formal sharī'ah certification and poses higher compliance risks, particularly regarding interest-related charges and penalty mechanisms. This study contributes by developing a structured analytical framework for assessing sharī'ah compliance in BNPL models and by offering practical recommendations for regulators and industry players to support the development of sharī'ah-compliant BNPL practices in Malaysia.

ملخص البحث

شهدت خدمات "اشتر الآن وادفع لاحقاً" (BNPL) انتشاراً واسعاً في قطاع التجارة الإلكترونية في ماليزيا، لا سيما عبر منصّتي Shopee وLazada، غير أن مدى توافقها مع أحكام الشريعة الإسلامية ما زال محل نقاش. تهدف هذه الدراسة إلى تحليل التوافق الشرعي لنموذجي Shopee Pay Later وLazada Pay Later من خلال التركيز على ثلاثة محاور رئيسة، وهي: تحريم الربا، وتجنّب الغرر، ومدى ملاءمة العقود الشرعية المستخدمة. وتعتمد الدراسة منهجاً نوعياً قائماً على البحث المكتبي، والمصادر الإلكترونية المتاحة للعامة، والتحليل المقارن، نظراً لعدم توافر التفاصيل التعاقدية الكاملة لخدمات BNPL للجمهور. وقد تم تحليل هياكل الرسوم، والعلاقات التعاقدية، وآليات التأخير في السداد في ضوء العقود الشرعية مثل البيع المؤجل، والمراجحة، والإجارة، والوكالة، والقرض. وتُظهر النتائج أن Shopee Pay Later، الحاصل على اعتماد شرعي من Amanie Advisors، يتميز بوضوح أكبر في بنود التعاقد ومستوى أعلى من الشفافية، في حين يفتقر Lazada Pay Later إلى اعتماد شرعي رسمي ويُظهر مخاطر أعلى من حيث التوافق الشرعي، خاصة فيما يتعلق بالرسوم المرتبطة بالفوائد والغرامات. وتتمثل مساهمة هذه الدراسة في تقديم إطار تحليلي منظم لتقييم التوافق الشرعي لنماذج BNPL، إلى جانب طرح توصيات عملية للجهات الرقابية والجهات الفاعلة في هذا القطاع لدعم تطوير ممارسات BNPL المتوافقة مع الشريعة في ماليزيا.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Islamic Revealed Knowledge and Heritage in Fiqh and Usul al-Fiqh.



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Mohd Fuad Md Sawari
Supervisor

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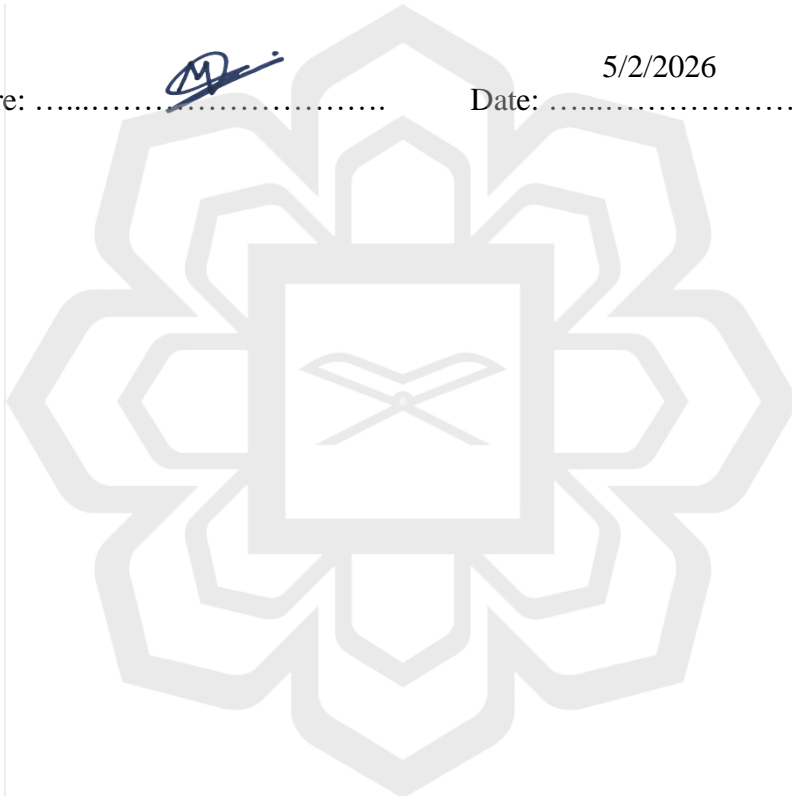
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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين،

والصلاة والسلام على أشرف الأنبياء والمرسلين،

نبينا محمد وعلى آله وصحبه أجمعين.

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Warmest regards and best wishes. Allah knows best.

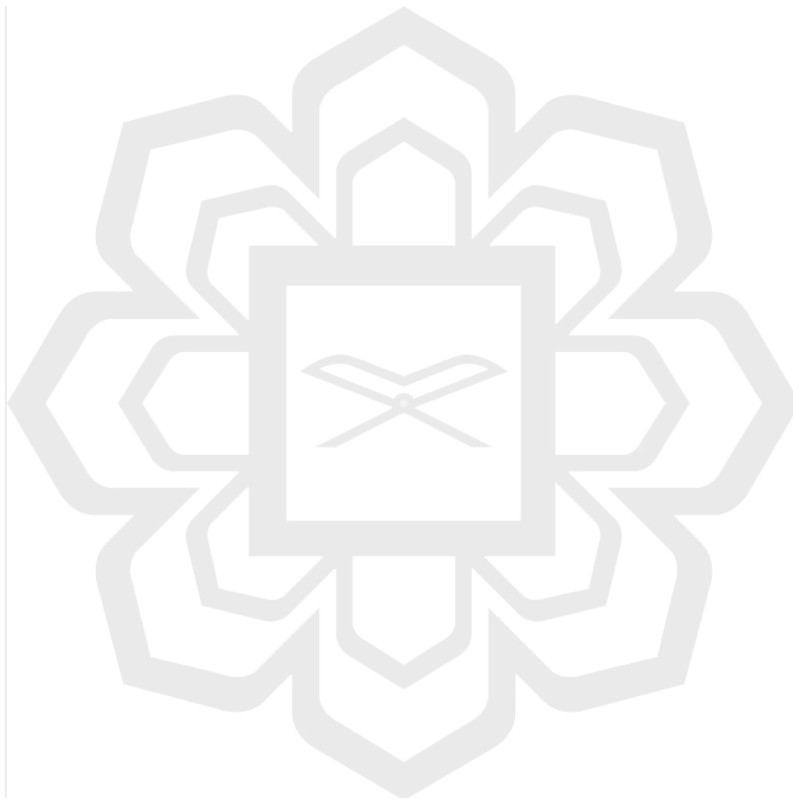
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LIST OF ABBREVIATIONS

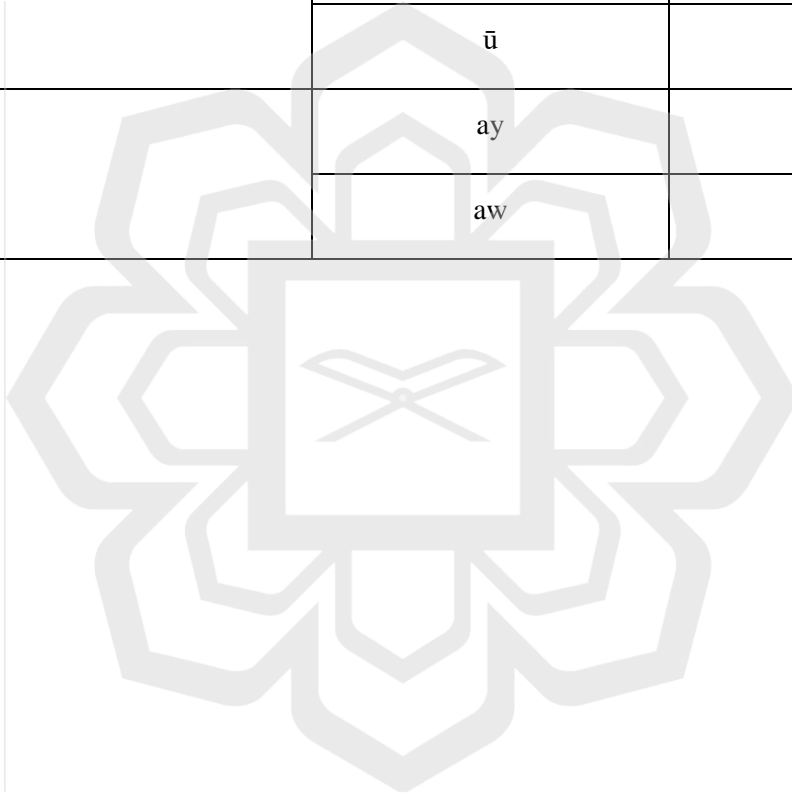
| | |
|-------------|-------------------------------------------------------------------------|
| AAOIFI | Accounting and Auditing Organisation for Islamic Financial Institutions |
| AIAC | Asian International Arbitration Centre |
| BNM | Bank Negara Malaysia |
| BNPL | Buy Now Pay Later |
| CBM | Central Bank of Malaysia |
| CBMA | Central Bank of Malaysia Act |
| CCA | Consumer Credit Act |
| CCB | Consumer Credit Bill |
| CCC | Consumer Credit Commission |
| CCRIS | Central Credit Reference Information System |
| CFPB | Consumer Financial Protection Bureau |
| CTOS | Credit Tip-Off System |
| DSR | Debt Service Ratio |
| e-KYC | Electronic Know Your Customer |
| FinTech | Financial Technology |
| GCC | Gulf Cooperation Council |
| IFSA | Islamic Financial Services Act |
| IFSB | Islamic Financial Services Board |
| INCEIF | International Centre for Education in Islamic Finance |
| LazPayLater | Lazada Pay Later |
| MyKad | Malaysian Identity Card |
| MyPR | Malaysia Permanent Resident Identity Card |
| MyTentera | Malaysian Armed Forces Identity Card |
| OTP | One-Time Password |
| PTP | Positive Time Preference |
| P2P | Peer-to-Peer |
| RUUKP | Rang Undang-Undang Kredit Pengguna |
| SAC of BNM | Shari'ah Advisory Council of Central Bank Malaysia |
| SAC of SC | Shari'ah Advisory Council of Securities Commission |
| SC | Securities Commission |
| SGF | Shari'ah Governance Framework |
| SGPD | Shari'ah Governance Policy Document |
| SKP | Suruhanjaya Kredit Pengguna |
| SNC | Shari'ah non-compliant |
| SPayLater | Shopee Pay Later |
| T&C | Terms and Conditions |

TABLE OF TRANSLITERATION

Table of the system of transliteration of Arabic words and names used by the International Islamic University Malaysia.

| English | Arabic | English | Arabic | English | Arabic |
|---------|--------|---------|--------|---------|--------|
| B | ب | s | س | ḍ | ض |
| T | ت | sh | ش | ṭ | ط |
| Th | ث | ṣ | ص | ẓ | ظ |
| J | ج | ḍ | ض | ‘ | ع |
| ḥ | ح | ṭ | ط | gh | غ |
| Kh | خ | ẓ | ظ | f | ف |
| D | د | ‘ | ع | q | ق |
| Dh | ذ | gh | غ | k | ك |
| R | ر | f | ف | l | ل |
| Z | ز | q | ق | m | م |
| S | س | k | ك | n | ن |
| Sh | ش | l | ل | h | ه |
| H | ه | m | م | w | و |
| Y | ي | n | ن | ‘ | ء |

| Category | English | Arabic |
|--------------|---------|--------|
| Short vowels | a | - |
| | i | - |
| | u | - |
| Long vowels | ā | ا |
| | ī | ي |
| | ū | و |
| Diphthongs | ay | اي |
| | aw | وا |



CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

The rapid advancement of technology has transformed almost every aspect of daily life, including the way financial services are delivered and consumed. Financial technology (FinTech) has disrupted traditional financial institutions by offering faster, simpler, and more accessible solutions for both individuals and businesses. One of the most striking features of FinTech is the idea of “easy money”, where consumers can access credit and make payments with greater ease and convenience compared to the past. Services that once required visits to the bank, manual paperwork, or long waiting times are now available instantly through mobile applications. This has changed consumer expectations and created a demand for financial solutions that are seamless, cashless, and always available.

Over the years, various FinTech innovations have reshaped consumer behaviour and payment systems. E-wallets such as PayPal, Alipay, and Touch ‘n Go eWallet have enabled fast and secure digital payments. Peer-to-peer (P2P) lending platforms and crowdfunding services have opened alternative channels of financing outside traditional banking institutions. Digital remittance providers like Wise (formerly TransferWise) and M-Pesa have simplified cross-border transfers and expanded access to financial services globally. These early developments have familiarised consumers with financial services that are more flexible, inclusive, and independent of conventional banking structures.

From this continuous evolution of FinTech, a new payment method has emerged named Buy Now Pay Later (BNPL). BNPL has quickly become one of the most influential FinTech solutions in recent years, offering consumers deferred payment options for purchases and presenting itself as an alternative to conventional credit systems. As Deloitte, a professional financial advisory services notes, “BNPL is now one of the fastest-growing payment methods globally”¹. BNPL plans have become extremely popular in recent years, to the point where it’s rare to find an online merchant’s checkout window that does not offer BNPL option². In

¹ Deloitte. The Future of Payments: Buy Now, Pay Later. May 11,2023.

² Matt Frankel. "Buy Now, Pay Later Plans for Travel." The Motley Fool. August 10, 2023.

Malaysia, BNPL options have become increasingly popular, with both Shopee and Lazada offering their own versions: Shopee Pay Later and Lazada Pay Later. While these models provide easy access to credit for many, the question about their shari'ah compliance has arisen among the consumers, especially in Malaysia as a Muslim majority country where ethical financial practises hold immense importance.

Therefore, Shopee Pay Later has been officially certified as shari'ah compliant by Amanie Advisors, a reputable shari'ah advisory firm³. This certification confirms that Shopee Pay Later's features, including Pay Next Month and Instalment payment options, has already align with Islamic financial principles. While Lazada Pay Later has not publicly disclosed its shari'ah compliance status, it's important to note that the certification process involves a rigorous evaluation of a financial product's adherence to Islamic principles.

Given the significance of shari'ah compliance for Muslim consumers, this research aims to critically evaluate the BNPL models offered by Shopee and Lazada. By comparing these two leading platforms, the study seeks to identify the key features of each BNPL model, assessing their adherence to shari'ah principles such as the prohibition of *ribā*, *takyīf fiqhī* (Islamic legal adaptation), and transparency of fees. This comparative approach will provide valuable insights into what constitutes a shari'ah-compliant BNPL model, and the challenges involved in achieving such compliance. Ultimately, the research hopes to shed light on the opportunities and obstacles in offering shari'ah-compliant BNPL options within the dynamic e-commerce landscape of Malaysia.

1.2 RESEARCH PROBLEM STATEMENT

The rapid growth of Buy Now, Pay Later (BNPL) services in Malaysia has expanded access to short-term consumer credit, particularly through digital platforms. At the same time, this development has raised significant concerns regarding Shari'ah compliance. In response, the Shari'ah Advisory Council (SAC) of Bank Negara Malaysia has issued a resolution recognising the permissibility of BNPL facilities in principle, subject to their structuring based on appropriate Shari'ah contracts and approval by the respective Shari'ah committees.⁴ However,

³ Shopee. "[SPayLater] Is SPayLater Shari'ah Compliant?" Shopee MY Help Centre, June 6, 2022, [https://help.shopee.com.my/portal/4/article/92306-\[SPayLater\]-Is-SPayLater-Shari'ah-Compliant](https://help.shopee.com.my/portal/4/article/92306-[SPayLater]-Is-SPayLater-Shari'ah-Compliant).

⁴ Shari'ah Advisory Council of Bank Negara Malaysia, "The Shari'ah Advisory Council of Bank Negara Malaysia (SAC) Ruling on Buy Now Pay Later (BNPL) Facility," January 24, 2024.

the SAC resolution remains general in nature and does not provide sufficient operational guidance for the practical structuring of Sharī'ah-compliant BNPL models.

Specifically, the resolution does not identify the types of contracts (*'uqūd*) that may be used to underpin BNPL arrangements, nor does it set out clear parameters governing fee structures, late payment charges, or the contractual relationships between consumers, merchants, and BNPL providers. While the SAC allows flexibility through the collective use of Sharī'ah contracts, it leaves substantial discretion to service providers in determining the contractual form and substance of BNPL transactions. This lack of specificity creates uncertainty as to how Sharī'ah principles should be applied in practice, particularly in complex multi-party BNPL structures.

This regulatory gap leaves Muslim consumers uncertain about whether BNPL services align with sharī'ah principles, especially regarding *ribā* (interest), *gharār* (uncertainty), and the proper application of *takyīf fiqhī*. The situation is further complicated by the differing practises of major providers such as Shopee Pay Later, which has obtained sharī'ah certification, and Lazada PayLater, which operates without formal certification. The lack of a comprehensive framework thus raises two key issues: (i) the absence of clear guidance for industry players and regulators, and (ii) the inability of Muslim consumers to make informed financial decisions in line with their religious obligations.

Accordingly, this study addresses the unresolved question of how BNPL services can be structured in compliance with sharī'ah principles. By comparing Shopee Pay Later and Lazada PayLater, the research seeks to bridge the regulatory and scholarly gap and to propose a practical framework for sharī'ah-compliant BNPL in the Malaysian context.

1.3 RESEARCH QUESTIONS

The study aimed to address the following research questions:

1. What is the Islamic perspective on deferred payment and the time value of money, and how do these concepts relate to BNPL arrangements?
2. Which forms of *takyīf fiqhī* (Islamic legal adaptation) are most appropriate for structuring sharī'ah-compliant BNPL services in Malaysia, and what contracts and contractual relationships can be applied?
3. In what ways do Shopee Pay Later and Lazada Pay Later differ in structure and operation, and to what extent do they comply with sharī'ah principles?

1.4 RESEARCH OBJECTIVES

The study aimed to achieve the following objectives:

1. To examine deferred payment and the time value of money from an Islamic perspective, with reference to BNPL arrangements.
2. To identify appropriate shari'ah contracts for BNPL and analyse the contractual relationships among the parties involved.
3. To compare the Shopee Pay Later and Lazada Pay Later models and evaluate their compliance with shari'ah principles.

The subsequent table, denoted as Table 1.2, delineates the correlation between research objectives and corresponding research questions.

Table 1 Research Objectives and Questions

| NO | RESEARCH QUESTIONS | RESEARCH OBJECTIVES |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| 1. | What is the Islamic perspective on deferred payment and the time value of money, and how do these concepts relate to BNPL arrangements? | To examine deferred payment and the time value of money from an Islamic perspective, with reference to BNPL arrangements. |
| 2. | Which forms of <i>takyif fiqhī</i> (Islamic legal adaptation) are most appropriate for structuring shari'ah-compliant BNPL services in Malaysia, and what contracts and contractual relationships can be applied? | To identify appropriate shari'ah contracts for BNPL and analyse the contractual relationships among the parties involved. |
| 3. | In what ways do Shopee Pay Later and Lazada Pay Later differ in structure and operation, and to what extent do they comply with shari'ah principles? | To compare the Shopee Pay Later and Lazada Pay Later models and evaluate their compliance with shari'ah principles. |

1.5 SIGNIFICANCE OF THE STUDY

In recent years, the question of shari'ah compliance in Buy Now, Pay Later (BNPL) has been raised by Muslim consumers. However, the comprehensive studies that analyse actual BNPL practises in Malaysia remain limited. This research is one of the first direct comparative studies focusing on the Malaysian e-commerce market, specifically on shari'ah Compliant BNPL. This

study will examine the practical operation of BNPL services to determine whether they comply with shari'ah or not.

Moreover, this study is the pioneer research to compare BNPL services that provided by Shopee and Lazada, the two leading BNPL platforms in Malaysia. By examining both Shopee Pay Later and Lazada PayLater, the study will provide a more thorough understanding on the differences in their respective models.

In addition, this study will contribute to three main areas. For Muslim consumers, it helps to clear confusion and give better guidance on how to make decisions that follow their religion. For regulators and Islamic financial institutions, the findings highlight best practises and also problems that need to be improved. This may support the work of the shari'ah Advisory Council (SAC) of Bank Negara Malaysia in giving clearer guidelines. For students and researchers, this study adds to the knowledge of Islamic financial technology and gives examples on how shari'ah concepts such as *takyif fiqhī* can be applied in new financial products.

Lastly, this study can be a useful reference for future researchers and also for the industry. By suggesting a shari'ah-compliant BNPL model based on real comparison, it provides a foundation for future improvement and development. In this way, the research does not only answer current questions but also supports the growth of Islamic finance in this digital era.

Table 2 Significance of the Study

| NO | SIGNIFICANCE | REMARKS |
|----|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| 1 | One of the Pioneer Study on shari'ah-compliant BNPL | Addresses shari'ah compliance BNPL concerns among Muslim consumers. |
| 2 | Comparative Analysis | Examines Shopee Pay Later and Lazada Pay Later in the Malaysian context. |
| 3 | Guidance for Muslim Consumers | Helps clear confusion and provides better guidance for making financial decisions that follow their religion. |
| 4 | Academic & Industry Resource | Provides valuable insights for students, researchers, and Islamic financial institutions on shari'ah-compliant BNPL services. |
| 5 | Regulatory Guidance | Offers recommendations for the development of regulatory frameworks and industry best practises for BNPL services. |

1.6 SCOPE OF THE STUDY

This research employs a narrow focus in assessing sharī‘ah compliance, concentrating solely on the BNPL models currently offered by the two major e-commerce platforms in Malaysia – Shopee and Lazada. The study does not encompass any examination of other payment mechanisms, such as cash on delivery or direct bank transfers. Furthermore, the study does not address the BNPL services offered by Islamic banking institutions, which require a separate set of analyses. By focusing on the specific BNPL structures employed by Shopee and Lazada, the research can conduct a comprehensive evaluation of the extent to which these models align with Islamic transactional jurisprudence.

The analysis is limited to these two e-commerce players in order to conduct a comprehensive comparative study of their BNPL terms and conditions. It should be noted that other BNPL providers in Malaysia, such as Atome, Hoolah, Split, Tabby, and Pace by Maxis, are not included within the parameters of this study. By focusing on just Shopee and Lazada, the two leading e-commerce platforms in the country, it is possible to conduct a focused yet representative investigation that can sufficiently answer the research questions surrounding BNPL adoption. The findings can then be used to inform assessments of other BNPL models in future studies. In summary, by focusing on the specific analysis and comparison of the BNPL services of Shopee and Lazada, the research aims to gain a detailed understanding of the extent to which contemporary Islamic business transaction contracts comply with sharī‘ah principles.

1.7 RESEARCH METHODOLOGY

This research employs a qualitative research methodology to dig deep by collecting various forms of the data and examine them to construct meaningful result from a complex and multifaceted circumstances. Generally, the qualitative methodology helps to increase the understanding of the phenomenon under the investigation thus encouraging towards specific questions.

1.7.1 DATA COLLECTION

To collect the requisite data, the researcher will employ the following methodology:

Library Research: Library research will be a fundamental aspect of the qualitative data collection process for this study. This will entail an in-depth examination and analysis of existing literature, documents, and other sources pertinent to BNPL, Shopee, and Lazada. The objective is to conduct a comprehensive review to understand the topic through synthesising

information from books, journals, publications, and guidelines. Key theories, arguments, and findings will be analysed to inform the evaluation of BNPL models. This allows identification of gaps or contradictions in existing perspectives. Comprehensive library research serves as the foundation to critically compare BNPL platforms for sharī'ah compliance.

Online Resources: In addition to library research, the study will utilise academic databases, company websites, and online journals and publications to collect pertinent data on BNPL models. Academic databases will provide access to scholarly articles, reports, and working papers on BNPL, Islamic finance, and e-commerce. Official websites will offer insights into Shopee and Lazada's specific BNPL services, terms, and fee structures. Targeted searches of Islamic finance journals and publications will uncover perspectives, debates, and guidelines regarding BNPL permissibility. These online resources will enable investigation of best practises for structuring compliant payment options. The research will thoroughly leverage academic, commercial, and specialty online materials to robustly analyse and compare Shopee and Lazada's BNPL models from a sharī'ah viewpoint.

1.7.2 METHOD

The method that will be employed for the analysis of the data is as follows:

Comparative Analysis: The data will be analysed using comparative techniques to comprehensively assess the alignment of the Shopee and Lazada BNPL models with sharī'ah principles. Similarities and differences across key aspects like fee structures, default policies, financing partnerships, and contracts will be identified. Any shared characteristics with implications for sharī'ah compliance will be noted, such as if both use late fees that could be considered *ribā*. The permissibility of differing approaches will also be evaluated. By contrasting the findings, insights will emerge on areas of convergence and divergence, enabling a precise sharī'ah analysis and determination of which platform better aligns overall.

Multi-Dimensional Analysis: The data will be subjected to a multi-dimensional analysis to evaluate sharī'ah compliance from various Islamic finance perspectives. This includes examining pricing transparency, underlying contracts, risk allocation, and avoidance of prohibited transactions like *ribā*. Fee structures, contractual arrangements, financing partnerships, and any interest factors on late fees will undergo rigorous review. By undertaking this layered legal, financial and relational analysis, a comprehensive picture will emerge on each model's adherence to the spectrum of sharī'ah standards.

In-Depth Analysis: An in-depth analysis will scrutinise the intricate details of each BNPL model’s fees, default policies, payment processing methods, and financial institution partnerships. Any ambiguities from the initial analysis will be investigated by examining service agreements, marketing materials and other documentation in depth. This will uncover nuances and complexities that may have sharī‘ah implications, such as clauses on late fees or the nature of bank partnerships.

By employing these methodologies, this research aims to provide a comprehensive understanding of BNPL services from a sharī‘ah perspective, compare leading platforms in Malaysia, and contribute to the development of sharī‘ah-compliant BNPL models. This multi-faceted approach ensures a thorough exploration of the topic, allowing for meaningful conclusions and practical recommendations to be drawn from the research.

Table 3 A theoretical framework of the study⁵

| Research Questions | Research Objectives | Research Methodology | Data Collection | Data Analysis | Chapter Outline |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------------------------|--------------------------------------------------------------------|-----------------|
| 1. What is the Islamic perspective on deferred payment and time value of money in relation to BNPL? | 1. To examine the concept of deferred payment and the time value of money from an Islamic perspective, and its relation to BNPL. | Qualitative research | Library research, Online resources | Comparative analysis of classical and contemporary models | 2 |
| 2. What sharī‘ah contracts (<i>takyīf fiqhī</i>) are applicable to BNPL models, and how are the contractual relationships structured? | 2. To identify and analyse suitable sharī‘ah contracts for BNPL and evaluate the contractual relationships among key parties. | | Library research, Online resources | Multi-dimensional analysis of various Islamic finance perspectives | 3 |
| 3. How do Shopee Pay Later and Lazada Pay Later differ in structure | 3. To compare Shopee Pay Later and Lazada Pay Later models and assess | | Library research, Online resources | In-depth analysis of sharī‘ah concerns and considerations | 4 |

⁵ Researcher’s own

| | | | | | |
|-----------------------------------------------------------------------------|----------------------------------------|--|--|--|--|
| and operations, and to what extent do they comply with sharī'ah principles? | their sharī'ah compliance in practise. | | | | |
|-----------------------------------------------------------------------------|----------------------------------------|--|--|--|--|

1.8 LITERATURE REVIEW

The Buy Now Pay Later (BNPL) phenomenon has garnered considerable scholarly attention in recent years; however, the issue of sharī'ah compliance within this model, particularly in the Malaysian context, remains substantially underexplored. This research seeks to address this lacuna by examining the sharī'ah compliance mechanisms employed by Shopee and Lazada, two prominent e-commerce platforms offering BNPL services in Malaysia. Through comparative analysis, this study investigates key sharī'ah concerns, including *ribā* (usury) and *gharār* (uncertainty), and evaluates how these platforms address such concerns. The objective is to identify best practises and highlight areas requiring improvement, thereby contributing to the development of ethical and inclusive BNPL models that accommodate the specific needs of Muslim consumers in Malaysia.

This literature review is organised into four sections: (1) Buy Now Pay Later, (2) Shopee Pay Later, (3) Lazada Pay Later, and (4) Research Gap. The literature is reviewed chronologically within each section to illustrate the evolution of scholarship in this field.

1.8.1 BUY NOW PAY LATER (BNPL)

A significant contribution to the understanding of Buy Now Pay Later services is presented in the article entitled “Regulating Buy Now, Pay Later: Consumer Financial Protection in the Era of Fintech”⁶ by Sahil Soni. The study examines the rapid proliferation of Buy Now, Pay Later (BNPL) services and their implications for consumer financial protection. It highlights the growth of BNPL as a largely unregulated fintech product that enables consumers to finance purchases through interest-free instalments. The literature discusses the appeal of BNPL as an ostensibly cost-free alternative to credit cards, particularly among younger consumers and those with limited credit histories. However, the study also underscores the distinctive risks

⁶ Sahil Soni, “Regulating Buy Now, Pay Later: Consumer Financial Protection in the Era of FinTech,” *Social Science Research Network*, ahead of print, January 1, 2023, <https://doi.org/10.2139/ssrn.4359956>.

posed by BNPL, including the propensity for excessive consumer spending and the absence of regulatory oversight, which may lead to financial instability for users.

The literature review further compares BNPL with traditional credit cards and other instalment loans, noting that while BNPL may offer greater accessibility, its absence of stringent regulatory measures exposes consumers to potential harm. The study also explores the evolving role of the Consumer Financial Protection Bureau (CFPB) in addressing these challenges, advocating for a more robust regulatory framework that accounts for the distinctive characteristics of BNPL, particularly the role of merchants in promoting its adoption. However, while the author addresses the regulatory and consumer protection dimensions of BNPL, the study lacks a focused analysis of how BNPL models align with shari‘ah principles, particularly within the context of prominent e-commerce platforms such as Shopee and Lazada. Consequently, the present research seeks to address this gap by examining the compliance of these BNPL models with Islamic finance principles, offering a comparative study that provides insights into the suitability and ethical considerations of BNPL services for Muslim consumers.

The doctoral thesis from Hamad Bin Khalifa University entitled “Towards Responsible Consumption and True Financial Inclusion: Assessing FinTech Buy-Now, Pay-Later (BNPL) From an Islamic Perspective”⁷ by Afnaan Hisham Moharram represents a significant contribution to scholarship on Buy Now Pay Later services. The author provides an in-depth examination of the burgeoning BNPL industry, analysing its implications within the framework of Islamic finance. BNPL has rapidly gained traction as an emerging form of consumer credit, appealing particularly to individuals with limited or adverse credit histories. The author explores various dimensions of BNPL, drawing comparisons with traditional credit cards and evaluating the benefits and risks associated with BNPL from an Islamic perspective. The thesis further compares fintech BNPL and credit cards, emphasising the differences in operational mechanisms between these two payment methods and their respective impacts on consumers. While credit cards are widely utilised, they frequently lead to substantial debt accumulation due to revolving credit structures and elevated interest rates. BNPL, conversely, is presented as a potentially more affordable and manageable alternative. However, a notable limitation of this thesis is its focus on select BNPL providers located in the United States and the Gulf

⁷ Afnaan Hisham Moharram, “Towards Responsible Consumption and True Financial Inclusion: Assessing Fintech Buy-Now, Pay-Later (BNPL) from an Islamic Perspective” (Hamad Bin Khalifa University, 2023), <https://www.proquest.com/docview/2845445728?pq-origsite=gscholar&fromopenview=true&sourcetype=Dissertations%20&%20Theses>.

Cooperation Council (GCC)⁸ countries, while numerous fintech BNPL providers operate across various regions, many offering comparable service plans to consumers. Consequently, the present research focuses specifically on the Malaysian context to contribute to the understanding of Malaysian BNPL services, particularly the two most prominent e-commerce platforms in Malaysia: Shopee and Lazada.

One of the most significant sources that the researcher seeks to highlight is the Central Bank of Malaysia resolution on BNPL entitled “The sharī‘ah Advisory Council of Bank Negara Malaysia (SAC) Ruling on Buy Now Pay Later (BNPL) Facility”⁹. This resolution gives insights to the researcher about the importance of sharī‘ah compliance in Islamic BNPL facilities. The sharī‘ah Advisory Council (SAC) has established guidelines for the Buy Now Pay Later (BNPL) facility, emphasising the need for responsible credit assessments by Islamic financial service providers to safeguard consumers’ financial well-being. This resolution provides valuable insights into the importance of sharī‘ah compliance in Islamic BNPL facilities. The sharī‘ah Advisory Council (SAC) has established guidelines for the Buy Now Pay Later (BNPL) facility, emphasising the necessity for rigorous credit assessments by Islamic financial service providers to safeguard consumers’ financial well-being. The resolution underscores the importance of comprehensive evaluations of consumers’ existing debt obligations and income levels to prevent excessive indebtedness, thereby aligning with the *maqāṣid al-sharī‘ah* principle of wealth preservation (*hifz al-māl*). However, the resolution presently lacks sufficient detail to fully operationalise sharī‘ah-compliant BNPL models. A notable gap identified in the CBM’s resolution is the absence of guidance on suitable contractual structures (*‘uqūd*) that may be employed to establish a sharī‘ah-compliant BNPL framework. Consequently, the present research seeks to address this gap by proposing a comprehensive sharī‘ah-compliant BNPL model that aligns with the CBM’s guidelines while addressing the complexities inherent in the product.

The article “AI Driven Islamic Buy Now Pay Later (BNPL) - A Legal Analysis”¹⁰ published in the *Journal of Management and Islamic Finance* provides a comprehensive legal analysis of AI-driven Islamic BNPL schemes, examining the rapid growth and potential impact

⁸ The Gulf Cooperation Council (GCC) brings together six Arab countries – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates – to further political and economic integration amongst them. The GCC launched for example a common market in 2008 and a patent office in 1992.

⁹ Sharia Advisory Council of Bank Negara Malaysia, *The Shariah Advisory Council of Bank Negara Malaysia (SAC) Ruling on Buy Now Pay Later (BNPL) Facility*. (2024)

¹⁰ Katterbauer, K., Syed, H., Genc, S. Y., & Cleenewerck, L. “AI Driven Islamic Buy Now Pay Later (BNPL) – A Legal Analysis”. *Journal of Management and Islamic Finance*, 3(1), 1-19. [object Object],22515/jmif.v3i1.6671,[object Object], (2023).

of these innovative payment arrangements within Islamic finance. The authors examine various facets of Islamic financing options, highlighting the distinctive products and contractual structures that differentiate Islamic banking and finance from conventional banking. The study explores the challenges and potential alternatives for achieving shari'ah-compliant BNPL schemes, emphasising the importance of ensuring that goods and services acquired through BNPL arrangements are permissible (*halal*) under Islamic law. The authors propose the utilisation of cost-plus financing structures such as *murabahah* or no-cost-plus financing structures such as *tawliyah* to achieve shari'ah compliance. The article further discusses the necessity for clients to obtain separate service contracts, such as *ijarah*, to facilitate service fee charges and ensure compensation for the management of BNPL transactions. Additionally, the study emphasises the importance of Islamic indemnity coverage, such as *takaful*, to address credit default risks and warranties arising from goods and services acquired through BNPL schemes.

Additionally, the article addresses the challenges and considerations related to Islamic credit cards, highlighting the scholarly disagreements regarding the availability of shari'ah-compliant credit cards and the various contractual arrangements that may align with Islamic principles. The legal analysis further emphasises the importance of scrutinizing a company's financial ratios to ensure compliance with shari'ah law, particularly concerning prohibited (*haram*) activities such as alcohol, tobacco, pork, adult entertainment, gambling, conventional banking, and conventional insurance. This article contributes to a deeper understanding of the legal and shari'ah-compliant dimensions of AI-driven Islamic BNPL schemes, rendering it a valuable resource for scholars, practitioners, and stakeholders in Islamic finance and banking. Consequently, the present research benefits from this article's legal analysis of BNPL services. Nevertheless, the present study seeks to explore and investigate the broader shari'ah frameworks governing BNPL services, with particular emphasis on BNPL services provided by e-commerce platforms in Malaysia.

The article entitled "The Frame of shari'ah Economic on PayLater Payment System"¹¹ by Rif'atul Muzayanah Al-Mahbubah and Ana Nurwakhidah provides insights into the application of Islamic principles in online commercial transactions, with particular focus on technological developments and payment methodologies. The authors examine the emergence of online business facilitated by advancements in communication technology and the benefits

¹¹ Muzayanah, R., Nurwakhidah, A., et al. "The Frame of Shari'ah Economic on PayLater Payment System." *Islamiconomic: Jurnal Ekonomi Islam*, 12(1), 93-107. (2021).

of cashless payment methods such as credit cards and digital wallets. The study specifically discusses Shopee Pay Later, a product enabling users to acquire goods and pay subsequently through instalments without credit cards. The authors assert that instalment or credit payment systems are permissible provided they adhere to Islamic principles. The article further explores the pillars (*arkān*) and conditions (*shurūṭ*) of sales contracts and the diversity of tradable objects in e-commerce. Additionally, the authors examine various payment methods employed in e-commerce, including credit card payments and indirect payment mechanisms. The study notes that goods delivery is essential in e-commerce due to the physical distance between seller and buyer. However, a notable limitation is that the authors do not examine in depth the specific features, terms, and conditions of different BNPL services. Consequently, the present research seeks to address this gap by examining the distinctive aspects of Shopee and Lazada's BNPL offerings and their implications for shari'ah compliance.

1.8.2 SHOPEE PAY LATER

This study draws attention to the scholarly article titled "Shopee Pay Later Application and Bay' Muajjal: A Syariah Approach,"¹² by Muhamad Syahiran bin Che Mansor and Muhammad Aunurrochim Mas'ad. The article provides a rigorous shari'ah-compliant evaluation of the Shopee Pay Later mechanism as a payment instrument within e-commerce transactions, offering valuable insights into its alignment with Islamic financial principles. The authors examine the impact of contemporary developments on commerce and society, emphasising the increasing prevalence of convenient payment methods for consumer purchases. The study discusses Shopee's various payment methods, including Shopee Pay Later, which enables users to consolidate monthly purchases and distribute repayment over 2, 3, or 6 months with a nominal processing fee.

The authors raise critical concerns regarding the alignment of Shopee Pay Later with shari'ah perspectives, particularly concerning the deferred payment concept, known as *bay' al-mu'ajjal*. They contend that Shopee Pay Later involves elements related to *ribā al-nasī'ah*, including processing fees and late payment charges, which contravene Islamic principles. The authors recommend that Shopee eliminate interest-based charges in PayLater transactions to avoid *ribā*, particularly for Muslim users. Furthermore, they advocate for Shopee to establish transparent terms and conditions for prospective PayLater users, including the requirement of

¹² Muhamad Syahiran bin Che Mansor, & Muhammad Aunurrochim Mas'ad. Shopee Pay Later Application and Bay' Muajjal: A Syariah Approach. Faculty of Syariah and Law, Universiti Sains Islam Malaysia. (n.d.).

documented proof of income to ensure customers possess adequate financial capacity to fulfil payment obligations. Additionally, the authors propose that Shopee should engage a shari'ah advisor to ensure operational compliance with Islamic principles.

The authors conclude that any transaction involving *ribā* is prohibited (*ḥarām*) under Islamic law. The study emphasises the necessity for transactions to conform to Islamic principles and distinguishes between the permissible (*ḥalāl*) profit earned by Islamic financial institutions in certain financing structures and the interest charged in Shopee Pay Later transactions. The present research benefits from the authors analysis of Shopee Pay Later from a shari'ah perspective, which addresses concerns related to deferred payment, *ribā*, and the necessity for transparent contractual terms. However, the researcher anticipates that the discussion can be substantially expanded in terms of shari'ah approaches to Shopee Pay Later, particularly given that Shopee Pay Later has recently obtained shari'ah compliance certification from Amanie Advisors.¹³

The researcher wishes to draw attention to a scholarly article entitled “Tinjauan Fiqh Muamalat Terhadap Pemakaian Sistem Pay Later Dalam Aplikasi Jual Beli Online Shopee” (Fiqh Muamalat Review of the Use of the Pay Later System in the Shopee Online Buying and Selling Application)¹⁴ by Witry Octasary Aritonang. The author examines the fundamental principles of Fiqh Muamalat concerning credit systems employed in commercial transactions. The study emphasises the importance of understanding the terms and conditions governing the “SPayLater” system within Shopee and contends that while the “Pay Later” feature offers convenience for users, consideration of the ethical implications of utilising credit in online transactions remains essential. The present research benefits from this article’s exploration of credit usage in online transactions from a Fiqh Muamalat perspective, as it underscores the importance of responsible credit utilisation and the necessity for further investigation into the ethical implications of credit usage in online marketplaces.

The author further suggests that credit systems may lead to increased consumer indebtedness and financial instability if not employed responsibly. While the author provides valuable insights into the Fiqh Muamalat perspective on Shopee’s Pay Later system, a notable lacuna exists in comparative studies examining multiple BNPL models across different e-commerce platforms from a comprehensive shari'ah compliance perspective. Consequently,

¹³ Shopee, “Is SPayLater Shariah Compliant?,” *Shopee MY Help Centre*, June 6, 2022, [https://help.shopee.com.my/portal/4/article/92306-\[SPayLater\]-Is-SPayLater-Shariah-Compliant?previousPage=secondary+category](https://help.shopee.com.my/portal/4/article/92306-[SPayLater]-Is-SPayLater-Shariah-Compliant?previousPage=secondary+category). (retrieved on: 22nd August 2024)

¹⁴ Witry Octasary Aritonang, “Tinjauan Fiqh Muamalah Terhadap Pemakaian Sistem Pay Later Dalam Aplikasi Jual Beli Online Shopee,” *Jurnal AL-IQTISHAD* 3, no. 2 (2022).

the present research seeks to address this gap by expanding the analytical scope to encompass both Shopee and Lazada, and by conducting a broader sharī'ah compliance analysis rather than focusing exclusively on Fiqh Muamalat principles. This comparative approach provides a more comprehensive understanding of how different BNPL models align with sharī'ah requirements, offering insights into implementation variations across platforms and their implications for Islamic finance within the e-commerce sector.

The article entitles "An Islamic Law Perspective on the Concept of Shopee Pay Later"¹⁵ by Muspita Sari et al. offers a comprehensive analysis of the Shopee Pay Later concept from an Islamic jurisprudence perspective. The study examines the practical applications and associated risks of Shopee Pay Later, its implications for consumers, and its compliance with Islamic legal principles. The document discusses the benefits and drawbacks of Shopee Pay Later, highlighting the legal basis and contract conditions involved in using this payment method. It also references other works that analyse Shopee Pay Later from various perspectives, such as the impact on consumer behaviour and the economic view of online shopping in Islamic law. The authors conclude that while the concept of Shopee Pay Later aligns with Islamic teachings in terms of the contract agreement, it involves usury, which is strictly prohibited in Islam. It provides insights into the benefits and disadvantages of Shopee Pay Later and its implications for users, ultimately raising concerns due to its association with usury. In summary, this article offers a comprehensive analysis of the Shopee Pay Later concept, its practicality, risks, and implications from an Islamic law viewpoint. It provides valuable insights into the alignment of Shopee Pay Later with Islamic teachings, as well as the potential ethical and legal concerns associated with its usage. The authors also discuss the legal basis and contract conditions involved in using Shopee Pay Later, providing a thorough examination of the concept from an Islamic law perspective. Nevertheless, the researcher intends to bring a new dimension of BNPL by making a sharī'ah compliance guideline of BNPL service that can be benefited by all the BNPL providers in Malaysia.

The researcher further draws attention to the article entitled "Analisis Akad Jual Beli Menggunakan Shopee Paylater Dalam Perspektif Hukum Islam"¹⁶ by Bilqis Salma Elysia and Muh Jufri Achmad. This study provides a comprehensive analysis of the Buy Now, Pay Later (BNPL) model within the financial technology landscape, with particular emphasis on

¹⁵ Muspita Sari et al., "An Islamic Law Perspective on the Concept of ShopeePayLater," 2022, November 29, 2022, 9.

¹⁶ Bilqis Salma Elysia and Muh Jufri Achmad, "Analisis Akad Jual Beli Menggunakan Shopee Paylater Dalam Perspektif Hukum Islam," *Bureaucracy Journal: Indonesia Journal of Law and Social-Political Governance* 3, no. 1 (2023).

consumer protection and regulatory frameworks. The literature highlights the rapid expansion of BNPL services, which have gained widespread adoption due to their convenience and the absence of upfront interest charges.

The study also underscores the potential risks associated with BNPL arrangements, including the accumulation of debt by consumers who may inadequately comprehend the financial implications of deferred payment structures. This concern is particularly salient given the comparatively unregulated nature of BNPL services, which stands in stark contrast to more established financial products such as credit cards. The literature further examines the role of financial technology in shaping consumer behaviour and argues for the necessity of adaptive regulatory frameworks to govern these emerging financial products, thereby ensuring adequate consumer protection.

However, a significant gap exists within the article regarding the evaluation of BNPL models from an Islamic finance perspective. Whilst the study provides a thorough examination of consumer protection and regulatory challenges, it does not address the alignment of these BNPL models with shari'ah principles. Consequently, the present research seeks to address this gap by examining the shari'ah compliance of BNPL models, particularly within the context of prominent e-commerce platforms such as Shopee and Lazada.

“An Analysis of Shopee Pay Later Transactions Based on the *Qard* Theory” is a research article published in the International Journal of Academic Research in Business and Social Sciences. The study, authored by Azlin Alisa Ahmad, Nurul Azlin Hashim, Risma Nur Arifah, and Nadhirah Nordin, provides a comprehensive analysis of Shopee Pay Later transactions from the perspective of the qard theory.

The article begins by introducing the concept of Shopee Pay Later (SPayLater) and its growing popularity amongst consumers. The authors subsequently provide an overview of the qard theory, which is a concept in Islamic finance that refers to an interest-free loan extended to a borrower in need. The authors contend that SPayLater can be analysed using the qard theory, as it involves a deferred payment system that operates without interest charges.

The study then examines the ethical and financial implications of SPayLater from the perspective of the qard theory. The authors argue that SPayLater can be conceptualised as a form of qard, given its interest-free deferred payment structure. However, the authors also acknowledge that SPayLater can become problematic when consumers fail to make timely payments, as this may result in late payment charges that could be construed as a form of ribā, which is prohibited in Islam.

The authors further discuss the various payment options available through SPayLater, including buy-first-pay-later arrangements, as well as instalment payments over two, three, or six months. These payment options are characterised as forms of qard, as they enable consumers to defer payment without incurring interest charges. The article concludes by addressing the implications of this analysis for businesses and consumers utilising SPayLater as a payment method. The authors advocate for transparency from businesses regarding the terms and conditions of SPayLater, whilst emphasising the importance of consumer awareness regarding the potential risks and benefits of this payment method. They further suggest that additional research is required to explore the ethical and financial implications of SPayLater from the qard theory perspective.

This article provides a valuable contribution to the existing literature, particularly regarding qard contracts. However, the present research intends to extend this analysis by examining other contractual frameworks that may be applicable to BNPL services, with specific focus on Shopee and Lazada Malaysia.

The article entitled “Application of Akad and shari’ah Compliance to Online Shop Shopee in an Islamic Economic Perspective”¹⁷ authored by Munifa and Syarifah Aini, provides a comprehensive analysis of the integration of contract law and shari’ah compliance within the online marketplace Shopee from an Islamic economic standpoint. The study examines the legal foundation for commercial transactions as articulated in the Qur’an, with particular emphasis on the pillars and conditions that constitute the fundamental provisions governing buying and selling activities.

The research delves into the contractual framework employed within the Shopee online platform, illustrating the harmonious relationship and similarities with established Islamic contracts, specifically *wakālah* (agency) and *ijārah* (lease/hire) agreements. The authors demonstrate how these traditional Islamic contractual structures can be effectively applied within contemporary e-commerce environments whilst maintaining their essential characteristics and compliance requirements.

Furthermore, the study highlights the implementation of shari’ah compliance within the Shopee platform, emphasising the marketplace’s adherence to the rules and conditions stipulated in Islamic law. The authors examine various features and services available on the platform, including Shopee Barokah, which specifically offers a range of shari’ah-compliant

¹⁷ Munifa and Syarifah Aini, “Application of Akad and Shari’ah Compliance to Online Shop Shopee in an Islamic Economic Perspective,” *Muhasabatuna : Jurnal Akuntansi Syariah* 4, no. 2 (February 27, 2023): 047–056, <https://doi.org/10.54471/muhasabatuna.v4i2.2238>.

products and services to Muslim consumers. The article also outlines the rules and policies established and maintained by Shopee, which demonstrate compliance with the fundamental pillars and conditions for Islamic commercial transactions.

However, whilst this study provides valuable insights into the application of *wakālah* and *ijārah* contracts within Shopee Pay Later services, the scope of analysis remains limited to these two contractual frameworks. The present research seeks to address this limitation by examining a broader spectrum of Islamic contracts that may potentially be utilised within BNPL services, thereby providing a more comprehensive understanding of the various *sharī‘ah*-compliant options available for such financial arrangements.

1.8.3 LAZADA PAY LATER

The article entitled “Praktik Jasa Gesek Tunai Lazada Pay Later Perspektif Hukum Ekonomi Syariah (The Practise of Lazada Pay Later Cash Swipe Services from the Perspective of *sharī‘ah* Economic Law)¹⁸” by Nurazizah represents a significant contribution to scholarship on Lazada Pay Later. The author examines the practises and legal dimensions of cash withdrawal services through Lazada Pay Later within the framework of Islamic Economic Law.

The study underscores the importance of understanding the practical implications of such services and their compliance with *sharī‘ah* principles, while also addressing the theoretical foundations of economic transactions in Islamic jurisprudence. However, a notable gap exists in the limited empirical research that specifically analyses consumer experiences and perceptions regarding the ethical and legal dimensions of Lazada Pay Later usage. Consequently, the present research seeks to conduct a more comprehensive investigation into the alignment of these services with Islamic financial ethics and their influence on consumer behaviour.

The master’s thesis from Universiti Islam Riau (UIR) entitled “Penggunaan Sistem Pembayaran Paylater Dalam Jual Beli Online Di Lazada Ditinjau Dari Hukum Islam (The Use of the Paylater Payment System in Online Buying and Selling at Lazada in Review of Islamic Law)¹⁹” authored by Muhammad Lutfi, represents a significant contribution to the examination of Lazada Pay Later services from an Islamic legal perspective. This research focuses

¹⁸ Nurazizah, “Praktik Jasa Gesek Tunai Lazada Paylater Perspektif Hukum Ekonomi Syariah.,” *Universitas Islam Negeri Sunan Gunung Djati Bandung*, n.d., 82, accessed February 8, 2024, <https://digilib.uinsgd.ac.id/86976/>.

¹⁹ Muhammad Lutfi, “Penggunaan Sistem Pembayaran Paylater Dalam Jual Beli Online Di Lazada Ditinjau Dari Hukum Islam” (University Islam Riau, n.d.), accessed August 18, 2024, <https://repository.uir.ac.id/20786/>.

specifically on the Lazada Pay Later system, examining its implementation and compatibility with Islamic financial principles through a comprehensive analytical framework.

The author explores the concept of PayLater as an electronic money loan system, drawing substantive parallels between its structural characteristics and the qard contract established within Islamic jurisprudence. The study provides an examination of the legal foundations underpinning PayLater systems, incorporating relevant provisions from the Civil Code, the Information and Electronic Transactions (ITE) Law, and Consumer Protection Law, thereby establishing a comprehensive regulatory context for the analysis.

However, the present researcher identifies a significant lacuna within existing scholarship on this topic, stemming from the limited exploration of how these contemporary financial products align with Islamic law in practical application. Whilst the literature acknowledges that PayLater systems could potentially be deemed permissible under certain specific conditions, such as single instalment repayment arrangements without additional charges, there exists a notable absence of comprehensive analysis regarding the practical implications of multi-instalment payment options, late payment penalties, and administrative fees from an Islamic legal perspective.

Consequently, the present research seeks to conduct more in-depth investigation into the compatibility of specific features within PayLater systems, particularly those offered by platforms such as Lazada, with established Islamic financial principles. This examination is particularly pertinent given the growing utilisation of these services amongst Muslim consumers and the need for comprehensive sharī'ah compliance assessment in contemporary financial technology applications.

1.9 RESEARCH GAP

Following a comprehensive review of the existing literature on the assessment of sharī'ah compliance in BNPL services, several significant lacunae have been identified within the current body of knowledge, particularly regarding BNPL services provided in Malaysia such as Shopee Pay Later and Lazada Pay Later:

1. **Lack of Comparative Studies:** Whilst studies examining Shopee Pay Later from a sharī'ah perspective exist, there is a notable absence of comparative analyses between different e-commerce platforms BNPL services within Malaysia. This gap significantly limits understanding of how various providers approach sharī'ah compliance differently and impedes the development of standardised compliance frameworks across the industry.

2. Absence of Research on Lazada’s BNPL Model: There exists a striking lack of academic research specifically addressing the shari’ah compliance of Lazada’s BNPL model, including Lazada Pay Later and Laz Pay Later services. This absence represents a significant gap in the literature, particularly given Lazada’s prominence within the Malaysian e-commerce market and its substantial Muslim consumer base.

3. Limited Focus on Malaysian Context: Most existing studies on BNPL services and shari’ah compliance are either generalised or focused on other geographical regions. There is a pressing need for research specifically tailored to the Malaysian context, considering its unique regulatory environment, diverse consumer demographics, and established Islamic finance infrastructure.

4. Insufficient Exploration of Practical Implementation: While theoretical frameworks for shari’ah-compliant BNPL services exist within academic discourse, there remains insufficient research examining how these principles are practically implemented by e-commerce platforms in their day-to-day operations. This gap between theory and practise represents a critical area requiring further investigation.

5. Absence of Comprehensive shari’ah Compliance Framework: Despite individual studies examining various aspects of shari’ah compliance in BNPL services, there is no comprehensive framework for assessing the overall shari’ah compliance of BNPL services within the e-commerce sector. This absence hinders both academic research and practical implementation efforts.

To address these identified gaps, this research aims to conduct a comparative analysis of shari’ah compliance between Shopee Pay Later and Lazada Pay Later within the Malaysian context. This study will examine the practical implementation of shari’ah principles, incorporate user perspectives, and work towards developing a comprehensive framework for assessing shari’ah compliance in BNPL services.

Table 4 Research Gap

| NO | RESEARCH GAP | NOTE |
|----|-----------------------------|----------------------------------------------------------------------------------------------------------------|
| 1 | Limited Comparative Studies | Lack of studies comparing shari’ah compliance across different e-commerce platforms BNPL services in Malaysia. |

| | | |
|---|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2 | Lack of Research on shari'ah Compliance in Lazada's BNPL Model | No academic research specifically addressing the shari'ah compliance of Lazada Pay Later in Malaysia, despite Lazada's significant market presence. |
| 3 | Lack of research in Malaysia's BNPL model | Most existing studies on BNPL services and shari'ah compliance are either general or focused on other regions. There is a need for more research specifically tailored to the Malaysian context, considering its unique regulatory environment and consumer base. |
| 4 | Lack of Studies on Practical shari'ah Implementation in BNPL | While theoretical models for shari'ah-compliant BNPL exist, there is limited research on how these principles are applied in practise by e-commerce platforms. |
| 5 | Lack of shari'ah Compliance BNPL Framework Guidelines | There is no comprehensive framework exists for evaluating the overall shari'ah compliance of BNPL services in e-commerce. |



CHAPTER TWO

GENERAL CONCEPT OF BUY NOW PAY LATER BETWEEN CLASSICAL AND CONTEMPORARY PERSPECTIVES

2.1 INTRODUCTION

As previously established, the BNPL model has rapidly transformed consumer approaches to credit, with this emerging financial technology offering a convenient method for purchasing goods or services through digital alternatives to traditional credit mechanisms. Although BNPL is frequently perceived as a modern innovation, its foundational principles are rooted in classical instalment credit systems, wherein consumers could acquire goods and remit payment over time, thereby enhancing economic activity and expanding consumer purchasing capacity.²⁰

Presently, BNPL services are closely integrated with e-commerce platforms, providing near-instantaneous approvals with limited credit assessments. This convenience has rendered these services particularly attractive to younger consumers who frequently lack established credit histories. Such developments have fundamentally reshaped consumer expectations by fostering a culture centred on immediate purchasing power. Nevertheless, the model raises significant concerns regarding escalating consumer indebtedness, as the accessibility of these payment options may encourage excessive spending and has, consequently, attracted increasing regulatory scrutiny²¹.

The contemporary BNPL landscape represents a sophisticated evolution of traditional credit mechanisms, leveraging advanced technology to streamline approval processes whilst simultaneously creating new challenges for both consumers and regulatory authorities. The integration of artificial intelligence and machine learning algorithms has enabled providers to offer rapid decision-making capabilities, often approving transactions within seconds of application submission.

This chapter examines BNPL from both classical and contemporary perspectives, tracing its evolution from traditional instalment practises to the current digital financial

²⁰ James, D., and M. Liu. "Historical Foundations of Consumer Credit: From Instalment Plans to Digital Finance." *Financial History Review* 28, no. 1 (2021): 32–54.

²¹ Financial Conduct Authority. *Review of Buy Now, Pay Later: Risks and Regulatory Implications*. 2021.

ecosystem. Through analysis of its advantages and potential challenges, this research aims to develop a comprehensive understanding of BNPL's impact on financial stability and the imperative for appropriate regulatory frameworks

2.2 DEBT FROM SHARĪ‘AH PERSPECTIVE

Before examining classical deferred payment systems in detail, it is essential to establish the foundational understanding of “debt”, which constitutes the cornerstone of such financial arrangements. Debt has remained a fundamental aspect of human economic interactions since the earliest societies, enabling individuals to fulfil essential needs and facilitate complex commercial exchanges. Within the Islamic legal tradition, the concept of debt extends beyond mere financial transactions to encompass profound moral and spiritual dimensions that require careful jurisprudential analysis.

Definition and Etymology of Debt (*Dayn*): The Arabic term for debt, *dayn* (دين), carries significant theological and legal implications within Islamic jurisprudence. Al-Attas observes that *dayn* derives from the trilateral root د-ي-ن (*dīn*), which forms the foundation for the word commonly translated as “religion”, thereby revealing the profound interconnection between financial obligations and moral responsibility in Islamic thought²². This etymological relationship underscores Islam’s holistic approach to economic ethics, where financial dealings are inextricably linked to spiritual accountability. The *Mawsū‘ah al-Fiqhiyyah al-Kuwaytiyyah*²³ provides the most authoritative technical definition of debt (*dayn*) as:

لُزُومٌ حَقٌّ فِي الدِّمَّةِ

“The persistent adherence of a right as (a person’s) liability (*dhimmah*)”

This definition encompasses several critical jurisprudential concepts that merit detailed examination. From a technical perspective, *dhimmah* constitutes an abstract legal attribute that qualifies individuals to possess rights over others whilst simultaneously enabling others to hold rights over those individuals. Islamic jurists conceptualise *dhimmah* as an intangible receptacle for rights and obligations inherent to each legally competent person. When liability is incurred, a person’s *dhimmah* becomes *mashghūl* (engaged or occupied), creating persistent legal obligations that must be fulfilled.

²² Aris Widodo, “Syed Muhammad Naquib Al-Attas’ Semantic Reading of Islam as *Din*,” *Al-Jami‘ah Journal of Islamic Studies* 47, no. 1 (2009): 136.

²³ *Mawsū‘ah al-Fiqhiyyah al-Kuwaytiyyah*, vol. 21 (Kuwait: Ministry of Awqaf and Islamic Affairs, 1982), 102.

These liabilities manifest in both financial and non-financial forms, demonstrating the comprehensive nature of Islamic legal obligations. Non-financial debts include unfulfilled religious duties such as missed prayers (*ṣalāh*) or incomplete fasting periods (*ṣiyām*), which constitute spiritual debts owed to Allah. Financial liabilities arise from diverse circumstances including loan acceptance, deferred payment purchases, deferred delivery sales, asset leasing agreements, or compensation for property damage.

The term *luzūm* within this technical definition encompasses adherence, persistence, and unwavering obligation. This indicates that debt constitutes a continuous engagement of the debtor's *dhimmah* until complete discharge through payment or creditor absolution. This comprehensive framework establishes the foundational understanding necessary for analysing debt's permissibility within Islamic jurisprudence, setting the stage for examining the scriptural, traditional, and scholarly evidence that follows.

Evidence from Quran: Proceeding to the question of legitimacy, Muslim jurists unanimously agree that undertaking debt, extending credit, borrowing, and lending constitute legitimate activities, provided that all *sharī'ah* requirements are meticulously observed and no involvement of *ribā* occurs. The Qur'ān provides clear guidance on this matter, as Allah states:

﴿يَا أَيُّهَا الَّذِينَ آمَنُوا إِذَا تَدَايَنْتُمْ بِدَيْنٍ إِلَىٰ أَجَلٍ مُّسَمًّى فَاكْتُبُوهُ...﴾

Translation: O you who have believed, when you contract a debt for a specified term, write it down... (al-Baqarah 2:282)

Evidence from Sunnah: The prophetic tradition further reinforces this legitimacy through significant hadith narrated by Anas ibn Malik, wherein the Prophet Muhammad ﷺ stated:

عَنْ أَنَسِ بْنِ مَالِكٍ، قَالَ، قَالَ رَسُولُ اللَّهِ ﷺ: رَأَيْتُ لَيْلَةَ أُسْرِي بِي عَلَىٰ بَابِ الْجَنَّةِ مَكْتُوبًا الصَّدَقَةُ بِعَشْرِ أَمْثَالِهَا وَالْقَرْضُ بِثَمَانِيَةِ عَشْرٍ. فَقُلْتُ يَا جِبْرِيْلُ مَا بَالُ الْقَرْضِ أَفْضَلُ مِنَ الصَّدَقَةِ. قَالَ لِأَنَّ السَّائِلَ يَسْأَلُ وَعِنْدَهُ وَالْمُسْتَقْرِضُ لَا يَسْتَقْرِضُ إِلَّا مِنْ حَاجَةٍ.^{٢٤}

Translation: It was narrated from Anas bin Malik that the Messenger of Allah (ﷺ) said: “On the night on which I was taken on the Night Journey (Isra), I saw written at the gate of Paradise: ‘Charity brings a tenfold reward, and a loan brings an eighteen-fold reward.’ I said: ‘O Jibril!

²⁴ *Sunan Ibn Majah*, Hadith 2431, accessed January 7, 2025, <https://sunnah.com/ibnmajah:2431>.

Why is a loan better than charity?’ He said: ‘Because the beggar asks when he has something, but the one who asks for loan does so only because he is in need.’”

Based on these two primary sources of evidence from the Quran and Sunnah, alongside numerous other supporting texts, it is unequivocally established that debt transactions are permissible in Islam. The Quranic verse provides compelling evidence for this permissibility: if debt were prohibited, Allah (SWT) would not have instructed contracting parties to document their transactions in writing. Similarly, the hadith demonstrates that loans (*qard ḥasan*), which inherently involve debt and credit relationships, are explicitly permitted in Islamic jurisprudence.

From a jurisprudential perspective, verse 282 of Surah al-Baqarah emphasises the critical importance of documentation and witness testimony to safeguard the interests of both borrowers and lenders whilst minimising potential disputes between parties. This comprehensive framework serves as evidence that Islamic teachings provide structured and principled guidelines for debt transactions, emphasising moral obligations and preventing the exploitation of vulnerable parties in debt arrangements.

Furthermore, there exists a well-established scholarly consensus (*ijmā'*) among Islamic jurists regarding the fundamental permissibility of debt transactions within the Islamic legal framework.²⁵ This consensus is documented by classical authorities such as al-Kasānī in *Badā'i' al-Ṣanā'i'*,²⁶ Ibn Rushd in *Bidāyat al-Mujtahid*,²⁷ and Ibn Qudāmah in *al-Mughnī*,²⁸ provided such transactions strictly conform to *sharī'ah* principles. These principles mandate the avoidance of prohibited elements such as *ribā* (usury) and *gharār* (excessive uncertainty), require absolute clarity and transparency in all contractual terms related to the debt arrangement, and necessitate proper documentation of the transaction as previously discussed in this research.

Classical Scholarly Positions: Imām al-Shāfi'ī in his seminal work *Kitāb al-Umm* addresses the concept of *ḥawālah* (debt transfer), demonstrating his nuanced approach to debt-related transactions.²⁹ *Ḥawālah* constitutes the legal transfer of debt obligations from the

²⁵ For a comprehensive discussion of this consensus, see Abū Bakr ibn Mas'ūd al-Kasānī, *Badā'i' al-Ṣanā'i' fī Tartīb al-Sharā'i'*, vol. 5 (Beirut: Dār al-Kutub al-'Ilmiyyah, 1986), 183-185.

²⁶ Al-Kasānī, *Badā'i' al-Ṣanā'i'*, vol. 5, 183.

²⁷ Abū al-Walīd Muḥammad ibn Aḥmad ibn Rushd, *Bidāyat al-Mujtahid wa Nihāyat al-Muqtaṣid*, vol. 2 (Cairo: Dār al-Hadīth, 2004), 151-153.

²⁸ Muwaffaq al-Dīn Abū Muḥammad 'Abd Allāh ibn Aḥmad ibn Qudāmah al-Maqdisī, *al-Mughnī*, vol. 4 (Cairo: Maktabat al-Qāhirah, 1968), 245-247.

²⁹ Muḥammad ibn Idrīs al-Shafi'i, *Kitāb al-Umm*, vol. 3 (Beirut: Dar al-Fikr, n.d.), 233.

original debtor to a third party, effectively substituting the debtor whilst maintaining the creditor's rights. According to al-Shāfi'ī's jurisprudential framework, *hawālah* is permissible under specific stipulated conditions: first, the original creditor must provide explicit consent to the transfer; second, the substitute debtor (*muḥāl 'alayh*) must possess demonstrable financial capacity to fulfil the obligation; and third, the original debtor (*muḥīl*) must be completely discharged from liability upon completion of the transfer. This detailed analysis demonstrates that al-Shāfi'ī permits debt transactions within Islamic jurisprudence, provided they adhere strictly to principles of justice, transparency, and the protection of all parties' legitimate rights.

Imām Mālik also recognises the permissibility of debt in Islam, as recorded in his work *al-Muwatta'*. The compilation includes hadith that show the Prophet Muhammad (peace be upon him) engaging directly in debt transactions. One hadith reports that the Prophet (peace be upon him) borrowed a young camel (*bakr*) and later repaid it with a better animal, a mature camel (*jadhā' rabā'ī*). This practice reflects the principle of excellence in repaying debts (*iḥsān al-qaḍā'*). The example of the Prophet demonstrates that borrowing is allowed in Islam and highlights the value of generosity when settling debts. This is further supported by his statement: "The best of people are those who repay their debts in the best manner" (*inna khiyāra al-nāsi aḥsanuhum qaḍā'an*). The hadith text reads:

حَدَّثَنِي يَحْيَى عَنْ مَالِكٍ عَنْ زَيْدِ بْنِ أَسْلَمَ عَنْ عَطَاءِ بْنِ يَسَارٍ عَنْ أَبِي رَافِعٍ مَوْلَى رَسُولِ اللَّهِ ﷺ أَنَّهُ قَالَ: اسْتَسَلَفَ رَسُولُ اللَّهِ ﷺ بَكْرًا فَجَاءَتْهُ إِبِلٌ مِنَ الصَّدَقَةِ، فَأَمَرَنِي رَسُولُ اللَّهِ ﷺ أَنْ أَقْضِيَ الرَّجُلَ بَكْرًا فَقُلْتُ: لَمْ أَجِدْ فِي الْإِبِلِ إِلَّا جَدْعًا رَبَاعِيًّا. فَقَالَ رَسُولُ اللَّهِ ﷺ: أَعْطِهِ إِيَّاهُ فَإِنَّ خِيَارَ النَّاسِ أَحْسَنُهُمْ قَضَاءً.

Translation: Yahya narrated to me from Malik, from Zaid bin Aslam, from 'Atha bin Yasar, from Abu Rafi', a freed slave of the Messenger of Allah (peace and blessings be upon him), who said: "The Messenger of Allah once borrowed a young cow from someone. Later, he received a gift of a herd of camels as charity". Abu Rafi' said, "The Messenger of Allah (peace and blessings be upon him) then instructed me to repay the person's debt by giving him a young cow". I said, "I only found a good-quality camel aged seven years". The Messenger of Allah (peace and blessings be upon him) then said, "Give it to him. The best of people is those who repay debts in the best manner".

This authenticated narration demonstrates that the Prophet not only engaged in debt transactions but established the ethical framework for such dealings, emphasising virtue and generosity in fulfilling financial obligations.

From the perspective of *maqāsid al-sharī‘ah*, debt (*dayn*) may be understood in light of the hierarchical structure of human needs outlined by al-Ghazālī. In *al-Mustasfā*,³⁰ al-Ghazālī explains that Sharī‘ah rulings aim to preserve essential human interests, particularly the protection of wealth (*ḥifẓ al-māl*), and that these interests operate at different levels, namely necessities (*darūriyyāt*), needs (*ḥājīyyāt*), and embellishments (*taḥsīniyyāt*). Financial arrangements, including debt, therefore serve different legal and ethical functions depending on the level of need they address. Debt incurred to secure essential living requirements aligns with the objective of necessity, while debt taken to facilitate ease and remove hardship corresponds to needs, and debt related to comfort or refinement falls within embellishments. This framework allows debt to be assessed not merely as a legal obligation, but according to its role in serving the objectives of Sharī‘ah as articulated by al-Ghazālī.

Ahmad Zarif in his dissertation³¹, mentioned that the applicability of highest level, *al-darūriyyāt* in debt context is when a person is compelled to secure a loan to obtain basic necessities such as food and essential household needs due to insufficient means, borrowing may become obligatory in order to preserve life and dignity. This position is grounded in the Qur’ānic principle of necessity, where Allah states:

فَمَنْ اضْطُرَّ غَيْرَ بَاغٍ وَلَا عَادٍ فَلَا إِثْمَ عَلَيْهِ

Translation: If a person is forced by necessity, without intending wrongdoing or going beyond limits, then there is no sin on them

(al-Baqarah 2:173)

Jurists extend this principle beyond dietary necessity to situations where basic survival or well-being cannot be secured without financial assistance. The permissibility of incurring debt for essential needs is further supported by the practice of the Prophet ﷺ, who purchased

³⁰ Abū Ḥāmid al-Ghazālī, *al-Mustasfā min ‘Ilm al-Uṣūl*, vol. 1 (Beirut: Dār al-Kutub al-‘Ilmiyyah), 286–288.

³¹ Wan Ahmad Zarif bin Wan Yusoff, “Fintech and Financial Inclusion from Sharī‘ah Perspective: A Study Of ‘Buy Now Pay Later’ In Malaysia” (Universiti Malaya, 2024), 137.

food on deferred payment and pledged his armour as security, demonstrating that debt may be undertaken to fulfil fundamental needs.³²

For the applicability of *al-ḥājiyyāt* in this context, borrowing is regarded as permissible when it serves to remove hardship and facilitate reasonable needs, provided that the individual possesses the ability to repay the debt. The legitimacy of such borrowing is affirmed by the Qur’ān, which regulates debt transactions through clear documentation and fixed terms:

يَا أَيُّهَا الَّذِينَ آمَنُوا إِذَا تَدَايْتُمْ بَدِينِ إِلَىٰ أَجَلٍ مُّسَمًّى فَاكْتُبُوهُ

Translation: O believers, when you take a loan for a fixed period, make sure it is written down.

(al-Baqarah 2:282)

However, if a person anticipates difficulty in repayment based on their financial circumstances, borrowing shifts from permissible to *makrūh*, as it exposes the debtor to moral and legal harm. This assessment is supported by the Hadīth:

مَطْلُ الْغَنِيِّ ظُلْمٌ³³

Translation: When someone who can afford to pay delays repayment, it is unfair and wrong.

(*Ṣaḥīḥ Muslim*)

The hadīth indicates that debt is only acceptable when repayment capacity exists. On this basis, several jurists have held that borrowing with a strong likelihood of default may even reach the level of *ḥarām*, as it entails foreseeable injustice and breach of obligation.⁴

At the lowest level, *al-taḥsīniyyāt* in debt is when someone is borrowing for non-essential comforts, luxury, or recreational purposes is generally discouraged. Such forms of debt do not

³² Muhammad ibn Isma’il al-Bukhari, *Sahih al-Bukhari*, Book 34, Hadith 282, accessed January 10, 2025, <https://sunnah.com/bukhari:2068>; Muslim ibn al-Hajjaj al-Naysaburi, *Sahih Muslim*, Book 10, Hadith 3906, accessed January 10, 2025, <https://sunnah.com/muslim:1603a>.

³³ Muslim ibn al-Hajjaj, “The Prohibition of a Rich Man Delaying Repayment and the Validity of Ḥawālah (Transfer of Debt),” *Ṣaḥīḥ Muslim*, Book 22 (The Book of Musāqah), ḥadīth no. 1564a, <https://sunnah.com/muslim:1564a>

remove hardship and may instead impose avoidable financial and ethical burdens. This concern is reflected in the Prophetic supplication:

اللَّهُمَّ إِنِّي أَعُوذُ بِكَ مِنَ الْمَأْثَمِ وَالْمَعْرَمِ³⁴

Translation: O Allah, protect me from sin and from being
burdened by debt.

(*Ṣaḥīḥ al-Bukhārī*)

This is the evidence when the Prophet ﷺ sought refuge from sin and the burden of debt. When asked about this supplication, he explained that debt often leads to broken promises and false speech, highlighting its social and moral consequences. This caution is reinforced by the Qur'ānic condemnation of wasteful consumption:

إِنَّ الْمُبَدِّرِينَ كَانُوا إِخْوَانَ الشَّيَاطِينِ

Translation: Those who waste money are like companions
of the devils.

(al-Isrā' 17:27)

Accordingly, individuals are advised to exercise careful judgment before resorting to debt for non-essential purposes, as such borrowing does not advance the primary objectives of Sharī'ah and may undermine responsible financial conduct.

Meanwhile according to Akram Ladin et al³⁵, if the need is at the level of the essential (*al-darūriyyat*) and there is no way to fulfil it except by taking on debt, doing so is obligatory. taking on debt by lawful means to fund complementary needs (*al-ḥajiyyat*) requires consideration of one's ability to repay. If one believes one will be able to repay the debt, there is no problem. However, if someone knows, based on his current circumstances, that he will be unable to pay, the general rule is that it is disliked taking on such a debt, and some scholars consider it *ḥarām*³⁶. A consumer should think very carefully about assuming debt to acquire

³⁴ Muḥammad ibn Ismā'īl al-Bukhārī, "Seeking Refuge with Allah from Being in Debt," *Ṣaḥīḥ al-Bukhārī*, Book 43 (Loans, Payment of Loans, Bankruptcy), ḥadīth no. 2397, <https://sunnah.com/bukhari:2397>

³⁵ Mohamad Akram Ladin et al., "Debt from Shariah and Economic Perspectives: Concepts, Issues and Implications," *ISRA Research Paper* 81 (2015): 14.

³⁶ "Al-Mawṣu'ah al-Fiqhiyyah al-Kuwaytiyyah," 2nd ed., vol. 3 (Kuwait: Ministry of Awqaf and Islamic Affairs, Dar Al-Salasil, 1427 AH), 263–264.

embellishments (*al-tahsīniyyat*). not having such goods will not cause any real hardship. on the other hand, if a debtor fails to fulfil the creditor's right, he will face difficulties as a result on the Day of Judgment.

From the researcher point of view, the debt is permissible when it addresses essential needs or, in some cases, provides comfort, if it remains within the borrower's capacity to repay. shari'ah-compliant BNPL schemes uphold these values by avoiding *ribā* and ensuring fairness in transactions. These schemes draw their inspiration from traditional Islamic financing concepts like *bay' al-muajjal* (deferred payment sale) and *bay' al-taqsiṭ* (instalment sale), which provide the foundation for modern BNPL by allowing deferred or Instalment payments while maintaining ethical and transparent financial transactions.

2.3 HISTORICAL EVOLUTION OF DEFERRED PAYMENT MODELS

2.3.1 Introduction

The concept of deferred payment is fundamentally linked to the idea of debt, financial arrangement where one party receives something of value now with the obligation to make payment later. This system has been practised across different cultures and historical periods, evolving to meet economic and ethical considerations. In Islamic finance, the concept of deferred payment has required unique adaptations to comply with shari'ah, which mandates that financial transactions avoid *ribā* and adhere to ethical principles. From a shari'ah perspective, debt is permissible but should meet essential needs and maintain fairness, aligning with Islamic values such as the *maqāsid al-shari'ah*, which aim to protect faith, life, intellect, lineage, and wealth³⁷.

Islamic finance has developed specific models for deferred payment that avoid interest and focus on fairness. Two primary contracts in this area are *bay' al-muajjal* (deferred payment sale), and *bay' al-taqsiṭ* (Instalment sale). These structures serve as foundational principles for contemporary shari'ah-compliant Buy Now, Pay Later (BNPL) models, where deferred payment terms allow consumers to purchase goods or services and pay overtime without incurring interest. In *bay' al-mu'ajjal*, the seller provides goods immediately while the buyer agrees to pay the deferred price later, either in one payment or Instalments. Similarly, *bay' al-*

³⁷ Zairani Zainol et al., "Exploring the Concept of Debt from the Perspective of the Objectives of the Shariah," *International Journal of Economics and Financial Issues*, November 20, 2016, 309.

taqsīṭ facilitates structured Instalment payments over a fixed period, ensuring transparent and sharī‘ah-compliant terms.

By integrating these concepts, Islamic BNPL models can align with sharī‘ah principles, providing a responsible and ethical approach to deferred payments. This approach illustrates how Islamic finance has adapted deferred payment practises to promote financial inclusion while upholding the ethical foundations of sharī‘ah.

2.3.2 *Bay‘ al-Mu‘ajjal*

Bay‘ al-mu‘ajjal is commonly referred to as *bay‘ bithaman ājil* (BBA), meaning a sale on a deferred payment basis. It resembles *murābahah* in that the price includes a disclosed profit margin, but the distinguishing feature lies in the deferment of payment, which may be structured as a lump sum or in instalments over an agreed period. Terminological variations exist across jurisdictions: in Pakistan the term *bay‘ al-mu‘ajjal* is widely used, while in Bangladesh the equivalent expression *bay‘ al-mu‘azzal* is more common.³⁸

In Malaysia, *bay‘ bithaman ājil* (BBA) served for many years as a common Islamic financing arrangement, mainly for home financing and other asset purchases. Islamic banks applied it as a deferred-payment sale, where the customer obtained the asset upfront while agreeing to repay a fixed selling price over time. The bank’s return came from a pre-determined mark-up embedded in the sale price, rather than from interest, and the structure relied on a sale-and-buyback mechanism that incorporated *bay‘ al-‘īnah* practices.³⁹

However, as time passed, scholars, practitioners, and courts raised concerns about the substance of BBA transactions. Critics argued that its operational form often mirrored conventional debt financing, particularly due to the absence of genuine risk transfer and the reliance on fixed profit calculated in a manner similar to interest. Judicial scrutiny and academic analysis highlighted unresolved Shariah issues relating to ownership transfer, *ribā’*, *gharār*, and fairness in pricing. As a response to these concerns, Malaysian Islamic financial institutions gradually reduced reliance on BBA and shifted toward other structures, such as *murābahah* and *tawarruq*, which regulators viewed as offering clearer asset backing and tighter Shariah oversight.⁴⁰

³⁸ Noor Inayah Yaakub and Hizri Hasshan, *Kekeliruan Terhadap Pembiayaan Bai’ Bithaman Ajil di Malaysia*, n.d., 2, <https://suarahizri.wordpress.com/wp-content/uploads/2008/03/kekeliruan-terhadap-pembiayaan-bba-di-malaysia.pdf>.

³⁹ Wan Murshida Wan Hashim and Marhaini Hassan, “The Bai Bithaman Ajil Contract as a Mode of Islamic Financing Facility: Issues and Dilemma,” *Journal of Academic Minds* 5, no. 1 (2011): 35–38.

⁴⁰ *Ibid.*, 39–50.

The essence of *bay' al-mu'ajjal* lies in the immediate transfer of goods or services by the seller in exchange for a deferred price determined at the outset.⁴¹ Unlike conventional credit arrangements, the profit component in the deferred price is fixed and transparent, thereby avoiding the uncertainty and *ribā* (interest) associated with conventional lending practises. The Qur'an explicitly condemns *ribā*, stating:

﴿الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَٰلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَى فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَٰئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ﴾

Translation: Those who consume interest will stand 'on Judgment Day' like those driven to madness by Satan's touch. That is because they say, "Trade is no different than interest." But Allah has permitted trading and forbidden interest. Whoever refrains (after having received warning from their Lord) may keep their previous gains, and their case is left to Allah. As for those who persist, it is they who will be the residents of the Fire. They will be there forever.

This verse affirms the distinction between legitimate trade, including deferred sales such as *bay' al-mu'ajjal*, and the prohibited practise of *ribā*. Hence, *bay' al-mu'ajjal* provides a shari'ah-compliant mechanism for deferred payment while safeguarding transparency and fairness in contractual dealings.

The origin of *bay' al-mu'ajjal* dates to early Islamic practises, where it was used as a mechanism for deferred payment in trade. Scholars like *Ibn Abidin* and *Muhammad Ibn al-Hasan al-Shaybani* emphasise that this type of sale is permissible as long as the payment terms are explicitly defined to prevent disputes. The practise reflects Islamic values of fairness and transparency, enabling individuals to meet immediate needs without resorting to exploitative practises. For example, deferred payment sales were utilised during the Prophet Muhammad's time under the condition that the deferred payment timeline was clearly stipulated.

Bay' al-mu'ajjal flexibility in structuring repayment terms makes it suitable for a variety of transactions, including consumer goods purchases and financing assets like homes and vehicles. For instance, a customer purchasing furniture under a *bay' al-mu'ajjal* agreement might agree to pay the deferred price in six months, either as a lump sum or in Instalments. The profit margin is fixed upfront as part of the sale price, ensuring transparency and fairness. Such arrangements make *bay' al-mu'ajjal* a foundation for modern financial products, including

⁴¹ Ziauddin Ahmed et al., "Bai Muajjal," *Islamic Markets*, n.d., <https://islamicmarkets.com/education/bai-muajjal>.

Islamic Buy Now, Pay Later (BNPL) schemes. These schemes adopt sharī'ah-compliant principles by providing manageable repayment terms and avoiding unethical financial practises.

Islamic scholars present differing assessments of *bay' mu'ajjal* in Islamic finance. Scholars such as Yusuf al-Qaradawi⁴² and resolutions issued by the Islamic Fiqh Academy⁴³ recognise *bay' mu'ajjal* as a permissible sale contract that allows a higher deferred price when the terms and price are fixed at the time of agreement. They view this structure as a lawful response to modern financing needs, including housing and consumer purchases, while remaining distinct from interest-based lending. These scholars maintain that deferred sales, when properly structured, support access to essential goods without invoking ribā.

Other scholars raise reservations related to its application in contemporary Islamic finance. Muhammad Nejatullah Siddiqi cautions that *bay' mu'ajjal* may replicate ribā in economic substance if financial institutions focus on form while neglecting the actual transfer of ownership and risk.⁴⁴ Similarly, Muhammad Taqi Usmani, in his well-known judgment on ribā, warns that transactions relying on commodities as mere procedural devices weaken sharī'ah compliance. He argues that such practices may introduce gharār and compromise fairness, which conflicts with the objectives of Islamic commercial law.⁴⁵

By offering a balance between flexibility and ethical rigor, *bay' mu'ajjal* underscores the adaptability of Islamic finance in addressing contemporary needs while adhering to its core values. Its practical applications and ethical foundations remain central to its acceptance and critique within modern Islamic economic systems. BBA is defined as: A sale in which the payment of the price is deferred to a specific time. The basic principle of sale in Islam is the presence of both the price (*thamān*) and the goods in the sale session. This is to ensure the realization of the primary purpose of sale which is none other but transfer of ownership. Upon conclusion of the sale, the buyer is to pay the price, and the seller is to transfer the ownership of the commodity to the buyer thereafter. Transfer of ownership cannot be compromised, whereas the sharī'ah as an exception allows deferment of the either the price or the commodity.⁴⁶

⁴² Yusuf al-Qaradawi, *Fiqh al-Mu'āmalāt al-Māliyah al-Mu'āṣirah* (Cairo: Dar al-Shuruq, 2001), 255–260.

⁴³ Islamic Fiqh Academy (OIC), *Resolution No. 51 (2/6) on Deferred Sales*, Jeddah, 1988.

⁴⁴ Muhammad Nejatullah Siddiqi, *Issues in Islamic Banking* (Leicester: The Islamic Foundation, 1983), 77–82.

⁴⁵ Muhammad Taqi Usmani, *The Historic Judgment on Interest (Ribā)* (Karachi: Idaratul Ma'arif, 1999), 171–176.

⁴⁶ Ali, Mohammed Farid. 2018. "Deferred Sale (Bai' Mu'ajjal/Bai' Bi Thaman Ajil (Bba)): Its Origin and Validity from a Maqāṣid Sharī'ah Perspective". *Intellectual Discourse* 26 (1):255-61. <https://doi.org/10.31436/id.v26i1.1123>.

2.3.3 Bay' al-taqṣīt

Bay' al-taqṣīt, or “instalment sale” is a new form of transaction in financial transactions that has gained popularity in this modern world. The mechanism of this sale involves the payment of the price of goods in Instalments, typically with a total price higher than the cash price. This concept was introduced to meet the needs of society in acquiring goods or services with flexible payment arrangements. Before we delve deeper into the topic, we need to know the definition of this sale (*bay' al-taqṣīt*).

The term *bay' al-taqṣīt* consists of two components, namely *bay'* and *taqṣīt*. The term *bay'* has been explained earlier. Therefore, this discussion focuses on the meaning of *taqṣīt* from both the linguistic and epistemological perspectives.

From the linguistic perspective, Ahmad Muqobirin⁴⁷ explains that the word *taqṣīt* originates from the root letters qāf, sīn, and tā'. In Arabic usage, this root carries several meanings. First, it refers to dividing or distributing something into portions. Second, it denotes equal division or separation. Third, it conveys the meaning of shares or portions. These linguistic meanings reflect the idea of division and allocation, which forms the basis of the concept of instalment payment.

From the epistemological (terminological) perspective, *taqṣīt* refers to a specific contractual concept recognised in *fiqh al-mu'āmalāt*. Its definition varies among classical and contemporary scholars. Sulaymān ibn Turkī defines *taqṣīt* as the deferment of debt payment in stages to specified and known time periods⁴⁸. He further explains that instalment sales involve a contract over a particular item, where the deferred price is paid in stages at agreed and known times. Similarly, Maḥmūd 'Abd al-Karīm⁴⁹ states that when both the price and payment are deferred, and payment is made gradually over a fixed period, the transaction constitutes an instalment sale. In this type of sale, the total price is divided into specific instalments, which may be paid at regular or irregular intervals based on mutual agreement.

In addition, contemporary scholars use the term *qisṭ* to describe this form of transaction. Some scholars, including 'Alī Ḥaydar, consider *qisṭ* to be a subcategory of deferred sales (*bay' bithaman ājil*), where goods are sold at a higher price due to payment by instalments over time.

⁴⁷ Ahmad Muqorobin, “Bay' Al-Taqsīt Fī al-Fiqh al-Islāmī,” *DINIKA Academic Journal of Islamic Studies* 1, no. 1 (2016): 95.

⁴⁸ Sulaymān ibn Turkī al-Turkī, *Bay' al-Taqsīt wa Ahkāmuh*, 1st ed. (Dar Al-Baytar, 2005), 1:34, https://archive.org/details/abo_abdrahman_kordi_barid_20160522_0704/page/n16/mode/1up.

⁴⁹ Ershid, Mahmoud Abdul Karim Ahmed, *Al-Shāmīl Fī Mu'amalat Wa 'Amaliyat al-Maṣārif al-Islāmiyyah* (Dar Al-Nafa'ith, 1427H/2007M), 78, <https://www.scribd.com/document/523856769/-الشامل-في-معاملات-وعمليات-المصارف-الاسلامية>.

⁵⁰ In classical fiqh literature, scholars discussed sales involving deferred prices without designating a distinct term for *bay' al-taqṣīṭ*. However, modern scholars and Islamic financial institutions have adopted this terminology to describe instalment-based sales in contemporary practice.

Regarding the permissibility of *bay' al-taqṣīṭ*, Mustafa al-Khin and his colleagues⁵¹ said that instalment sales are valid if there is no contradiction in the contract, such as mentioning two prices (cash and Instalment) within the same contract. This situation is regarded as “two sales in one contract”, which renders it invalid as the ḥadīth⁵² Prophet Muhammad (peace be upon him):

... هَي رَسُولُ اللَّهِ ﷺ - عَنْ بَيْعَتَيْنِ فِي بَيْعَةٍ ...

Translation: Allah’s Messenger (ﷺ) forbade two transactions combined in one.

Subsequently, according to Dr. Wahbah al-Zuhaili⁵³, majority of scholars including the Shafi’i, Hanafi, Maliki, Hanbali schools of thought, Zaid bin Ali, and the majority of scholars have permitted Instalment sales with a higher price compared to cash sales, provided the contract is made explicitly in this manner and is free from ambiguity or the combination of two sales in one contract.

There is also one hadith which documents the Prophet Muhammad’s use of deferred payment transactions. For example, well-known hadith narrates the Prophet purchasing food from a Jew on credit and pledging his armour as collateral. The hadith⁵⁴ sound:

عَنْ عَائِشَةَ . رَضِيَ اللَّهُ عَنْهَا . أَنَّ النَّبِيَّ ﷺ اشْتَرَى طَعَامًا مِنْ يَهُودِيٍّ إِلَى أَجَلٍ ، وَرَهْنَهُ دِرْعًا مِنْ حَدِيدٍ .

Translate: Narrated by Aisha (RA): “The Prophet (PBUH) bought some foodstuff from a Jew on credit and mortgaged his iron armour to him”.

Conversely, some contemporary scholars and Zahiri jurists oppose *bay' al-taqṣīṭ*, viewing the price increase tied to deferred payment as akin to *ribā*. They cite Quranic verses

⁵⁰ Ali Haidar, *Durrar Al-Hukkam Fi Syarh Majallah al-Ahkam*, 1st ed. (Dar Al-Jayl, 1411H /1991M), 1:199.

⁵¹ Mustafa al-Khin et al., *al-Fiqh al-Manhaji ‘ala Mazhab al-Imam al-Syafi ‘i*, 4th ed., vol. 6 (Dar al-Qalam, 1413H/1992M).

⁵² Al-Tirmidhi, Muhammad ibn Isa. *Sunan al-Tirmidhi*. Book 14, Hadith 1231. Accessed January 10, 2025. <https://sunnah.com/tirmidhi:1231>.

⁵³ Wahbah bin Mustafa al-Zuhaili, *Al-Fiqh al-Islami Wa Adillatuhu*, 4th ed. (Dar al-Fikr, n.d.), 6:3461.

⁵⁴ Muhammad ibn Isma’il al-Bukhari, *Sahih al-Bukhari*, Book 34, Hadith 282, accessed January 10, 2025, <https://sunnah.com/bukhari:2068>; Muslim ibn al-Hajjaj al-Naysaburi, *Sahih Muslim*, Book 10, Hadith 3906, accessed January 10, 2025, <https://sunnah.com/muslim:1603a>.

condemning *ribā* and hadiths that prohibit ambiguous or exploitative sales. These critics argue that the additional charges based on time create unjustified financial gain and blur the line between permissible trade and interest-based financing.

Based on the analysis conducted, it becomes clear that the opinion *permitting bay' al-taqṣīṭ* is stronger. This is because its evidence is more solid, its argumentation is clearer, and it aligns with the principles of sharī'ah and law, which prevent the occurrence of *ribā* and promote fair transactions. *bay' al-taqṣīṭ* is a transaction that involve the deferred payment of the price. The deferment can either be tied to a specified time where the buyer pays in Instalments or to an undefined period, provided that it's governed by clear conditions like the researcher mentioned earlier. Hence, this type of sale is permissible based on the evidence that provided of the majority of scholars above. As Imam al-Buhuti⁵⁵ mentioned in his writing, “any sale involving a known price and a known time frame is valid, whether payment is made immediately or deferred.”

The original *ḥukm* (ruling) for *bay'* (sales) is permissible, there is no evidence that said sales is prohibited. *Bay' al-taqṣīṭ* are not similarly to usury in any essence, rather it is a transaction that benefits both the seller and the buyer. The seller can benefit in the price of goods, while the buyer can have the purchasing power even before they have it to buy something they need. Sometimes, the buyers may not be able to pay in full, and Instalment payments provide a solution.

In addition, *bay' al-taqṣīṭ* must be distinguished from *ribā*. In *ribā*, additional charges are imposed solely due to the time factor, such as in a loan where the repayment amount increases due to a delay in payment. Conversely, in Instalment sales, the item sold is a commodity, and the additional cost is considered a form of tolerance in trading, as the buyer receives goods rather than money⁵⁶. Instalment sales reflect the seller's willingness to provide concessions by allowing payments to be made in stages, offering convenience to the buyer. This practise has long been customary among Muslims, as stated by Muhammad al-Zuhaili⁵⁷: “Deferred sales represent a form of leniency granted by the seller to the buyer, and this is a common practise in Islamic financial transactions”.

Bay' al-taqṣīṭ model has gained popularity in Islamic financial institutions as a means of financing consumer durables, vehicle purchases, and household items. It offers a sharī'ah-

⁵⁵ Mansur ibn Yunus ibn Idris al-Buhuti, *Kashshaf Al-Qina' 'an Matn al-Iqna'* (Maktabat al-Nasr al-Hadithah, n.d.), 3:300.

⁵⁶ Wahbah bin Mustafa al-Zuhaili, *Al-Fiqh al-Islami Wa Adillatuhu*, 6:3462.

⁵⁷ Wahbah bin Mustafa al-Zuhaili, *Al-Mu'tamad Fi al-Fiqh al-Syafi'i* (Dar al-Qalam, 2007), 3:38.

compliant alternative to conventional hire-purchase agreements. Through *bay' al-taqṣīt*, Islamic finance supports consumer needs responsibly by promoting ethical debt management, encouraging financial inclusivity, and upholding transparency. This model shows the Islamic finance's dedication to providing financial access without compromising sharī'ah values.

2.4 The Concept of Time Value of Money

The time value of money (TVOM) is not a new concept in Islamic jurisprudence. Classical jurists from all schools of law addressed it indirectly in various legal discussions, particularly in financial transactions such as *murābahah*, bilateral *ibrā'* (*ḍa' wa ta'ajjal*), the stipulation of deferment in loans (*al-qarḍ ḥāl aw mu'ajjal*), and *zakāt al-dayn*. These discussions indicate that Islamic law acknowledges the financial and economic effects of time in commercial dealings, subject to defined Sharī'ah limits. In this regard, three temporal dimensions are recognised in Islamic financial transactions, namely deferment (*ajal*), spot (*ḥāl*), and acceleration (*'ajal*), each of which may affect valuation and pricing.

For example, classical jurists permit a higher price in a deferred sale than in a spot sale. Imām Ibn Qudāmah explains in *al-Mughnī*⁵⁸ that when the price is fixed at the time of contract, an increase due to deferment forms part of the sale price and does not constitute *ribā*. A similar position is articulated by Imām al-Kāsānī in *Badā'i' al-Ṣanā'i'*,⁵⁹ where deferment (*ajal*) is treated as a recognised factor that may lawfully influence price determination at the contractual stage. At the same time, once a debt (*dayn*) has arisen, Islamic law prohibits any increase linked to time. However, a number of jurists allow a reduction of the debt when payment is made before maturity. Imām Ibn Taymiyyah, in *Majmū' al-Fatāwā*⁶⁰, permits *ḍa' wa ta'ajjal* on the basis that it involves remission rather than increase, while Imām Ibn al-Qayyim supports this view in *I'lām al-Muwaqqi'īn* by classifying it as a lawful settlement (*ṣulḥ*)⁶¹.

This opinion has been reflected in the Islamic Finance regulation in Malaysia. The Guidelines on *Ibrā'* (Rebate) for Sale-Based Financing issued by Bank Negara Malaysia⁶² define *ibrā'* as a waiver of the creditor's right to claim payment and expressly recognise its application where a customer settles a sale-based financing prior to maturity. The Guidelines

⁵⁸ Ibn Qudāmah, *al-Mughnī*, vol. 4 (Cairo: Dār al-Hadīth, 2004), 36.

⁵⁹ al-Kāsānī, *Badā'i' al-Ṣanā'i' fī Tartīb al-Sharā'i'*, vol. 5 (Beirut: Dār al-Kutub al-'Ilmiyyah, 1986), 187.

⁶⁰ Ibn Taymiyyah, *Majmū' al-Fatāwā*, vol. 29 (Riyadh: Majma' al-Malik Fahd li-Ṭibā'at al-Muṣḥaf al-Sharīf, 1995), 474.

⁶¹ Ibn al-Qayyim, *I'lām al-Muwaqqi'īn 'an Rabb al-'Ālamīn*, vol. 3 (Beirut: Dār al-Kutub al-'Ilmiyyah, 1991), 170.

⁶² Bank Negara Malaysia, *Guidelines on Ibrā' (Rebate) for Sale-Based Financing* (Kuala Lumpur: Bank Negara Malaysia, 2013), 1–2, 6.

clarify that, although an Islamic financial institution is contractually entitled to claim the full selling price, including deferred profit, it is required to grant *ibrā'* by waiving the unearned or deferred profit portion upon early settlement. This regulatory approach confirms that Islamic finance accepts the financial relevance of time by allowing price differentiation at the contractual stage, while permitting only reduction, and not increase, once a debt has been established.

In addition, it is worth examining the Islamic viewpoint on this concept because Islam prohibits usury without rejecting the concept of Positive Time Preference in TVOM, despite its use to justify interest in conventional economics. The Islamic legitimacy of TVOM is established on three bases:

1. the concept of Positive Time Preference (PTP) in Islamic viewpoint.
2. the permissibility of a different price in a cash sale as opposed to a credit sale.
3. Islamic legal maxims.

These three bases will be discussed later to distinguish between the conventional and Islamic understandings of TVOM and, thereafter, to construct the sharī'ah parameters for TVOM in Islamic finance.

2.4.1 The Theory of Positive Time Preference (PTP) and its Islamic viewpoint

The term of Positive Time Preference (PTP) was invented by Austrian economist Eugene Von Bohm-Bawerk in his book *Positive Theory of Capital*. He states, "As a rule present goods have a higher subjective value than future goods of like kind and number. And since the resultant of subjective valuations determines objective exchange value, present goods, as a rule, have a higher exchange value and price than future goods of like kind and number". Although the theory became influential, its critics sought to refute it with two contrary concepts: zero-time preference and negative time preference. Some scholars argue that PTP is built upon intrinsic human nature, which urges people to always prefer present gratification to future gratification.

One of the contemporary scholars that affirm Islam recognises the concept of PTP is Rafīq Yūnus al-Maṣrī. In his book *bay' al-taqṣīṭ: Tahlīl Fiqhī wa Iqtisādī*, he spells out the views of the classical jurists on PTP, which include the abovementioned juristic texts concerning the superiority of the present to the future.⁶³ In another book, *al-Jāmi' fī Uṣūl al-Ribā*, he justifies the superiority of the present over the future on the basis of the Qur'anic testimony to the natural human preference of immediacy. He cites the verses mentioned above,

⁶³ Rafīq Yūnus al-Maṣrī, *Bay' al-Taqṣīṭ: Tahlīl Fiqhī Wa Iqtisādī*, First edition (Dār al-Qalam, 1990), 39–43.

as well as others.⁶⁴ In his book *al-Ribā wa al-Fā'idah*, he discusses in depth all justifications of interest, including the concept of PTP, and he cites scholars' arguments against PTP and then rebuts them.⁶⁵

In contrast to the conventional understanding of PTP, which uses it to justify imposing interest on the loan principal, *al-Masri* points out that Islam distinguishes between PTP in sales and loans.⁶⁶ In a deferred sale, deferment adds a time dimension that has economic value and makes the deferred price higher than the spot price. The same scenario is found in loan contract, but it is not allowed to stipulate any incremental amount on the principal loan. Almighty Allah will compensate the creditor who forgoes it with a multiplied reward on the Day of Judgment.⁶⁷

The difference between TVM's application in a sale contract and a loan contract is due to the different principles that constitute their foundational bases. A sale contract is built upon the principle of justice ('*adl*) while a loan contract is founded upon the principle of benevolence (*ihsān*).⁶⁸

2.4.2 The Permissibility of Increasing price due to Deferment in a Deferred Sale

Jurists hold different opinions concerning the legitimacy of increment in a deferred sale (*Bay' al-Mu'ajjal*) as it is a purely time-value-based contract in which deferment (*ajal*) is exchanged for a monetary counter-value. However, a large majority of them-including the imams of the four schools of Islamic law as well as earlier scholars like *al-Zuhri*, *Qatadah*, *Tawūs* and *Sa'id ibn al-Musayyib* permitted a markup in a deferred sale in the light of the Qur'an, the hadith and reasoning. In summary, their view is supported by the following Qur'anic verse:

﴿... قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا...﴾

“They say: ‘Trade is like usury’.”⁶⁹

This verse illustrates that the Arabs of the pre-Islamic period argued that the increment in *ribā* is like the profit in a sale; therefore, if *ribā* is prohibited, sales should be too. Since sales are clearly not prohibited, *ribā* should, likewise, be permitted. The way *ribā* worked in pre-Islamic Arabic society was in the context of delayed payment sales. If the buyer was unable to make

⁶⁴ Rafiq Yūnus al-Maṣrī, *Al-Jāmi' Fī Uṣūl al-Ribā*, First edition (1422), 230.

⁶⁵ Rafiq Yūnus al-Maṣrī, *Al-Ribā Wa al-Fā'idah: Dirāsah Iqtisādiyyah Muqāranah* (Dar al-Fikr, 1999), 31–65.

⁶⁶ Rafiq Yūnus al-Maṣrī, *Al-Ribā Wa al-Hasm al-Zamānī* (2000), 20–22.

⁶⁷ Rafiq Yūnus al-Maṣrī, *Al-Ribā Wa al-Hasm al-Zamānī*, 7.

⁶⁸ Rafiq Yūnus al-Maṣrī, *Al-Ribā Wa al-Hasm al-Zamānī*, 23.

⁶⁹ Sūrah al-Baqarah (2): 275

full payment on the due date, he would tell the seller, "Give me more time, and I'll give you more money." Those who argued against the Islamic prohibition of *ribā* said, "It is the same for us if we increase [the amount] at the beginning of the sale or when it comes due".⁷⁰ However, Allah rejected this argument in the next part of the same verse:

﴿... وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا...﴾

“Allah has permitted trade and forbidden usury”,
i.e., the mark-up on a deferred payment sale is not the same as usury.

Scholars have also inferred the permissibility of *bay' al-mu'ajjal* from a number of hadiths that indicate the sharī'ah's recognition of the monetary value of time. For instance, 'Ā'ishah and Ibn 'Abbās both narrated that Allah's Apostle bought grain from a Jew on credit and mortgaged his armour to him.⁷¹ A sale for deferred payment without any contractual increment would only be executed by a person who is not avidly concerned with worldly gain. However, the Qur'an characterises the Jews as having the opposite trait:

﴿وَلْتَجِدْنَهُمْ أَحْرَصَ النَّاسِ عَلَى حَيَاتِهِمْ وَمِنَ الَّذِينَ أَشْرَكُوا يَوَدُّ أَحَدُهُمْ لَوْ يُعَمَّرَ أَلْفَ سَنَةٍ...﴾

“You will most certainly find that they cling to life more eagerly than any other people, even more than those who are bent on ascribing divinity to other beings beside God: every one of them would love to live a thousand years...”.⁷²

This implies that the deferred price in the above hadith would have been higher than the spot price for the same commodity and that the increment would have been stipulated in the contract. The Prophet's acceptance of those terms constitutes tacit approval, which indicates the permissibility of a deferred sale with increment.⁷³ Therefore, a markup in a deferred sale is considered legitimate compensation for the deferment.

2.4.3 The Islamic Legal Maxims on TVOM

The Islamic viewpoint on TVOM is also premised upon legal maxims related to the sharī'ah ruling of the primary and its auxiliaries. The maxim reads:

⁷⁰ Al-Tabari, *Jāmi' al-Bayān fī Ta'wīl Āy al-Qur'ān*, ed. Ahmad Muhammad Shākir (Beirut: Mu'assasat al-Risālah, 1420/2000), 6:13.

⁷¹ *Ṣaḥīḥ al-Bukhārī*, 3:1068, ḥadīth no. 2759; *Sunan al-Tirmidhī*, 3:519, ḥadīth no. 1214; *Sunan al-Nasā'ī*, 7:303, ḥadīth no. 4651.

⁷² Sūrah al-Baqarah (2): 96

⁷³ 'Abd al-Sattār Abū Ghuddah, *al-Bay' al-Mu'ajjal* (Jeddah: al-Bank al-Islāmī li al-Tanmiyyah, 1999), 21–22.

التابع تابع

“The auxiliary follows [the primary in its ruling]”

يغتنفر في الثواني ما لا يغتنفر في الأوائل

“Things may be excused in the secondary that are not excused in the primary”

The above maxims indicate a critical distinction between an increment (*ziyādah*) imposed on the principal on account of the deferred payment of a loan (*qard*) and an increment imposed on the spot price on account of deferred payment in a deferred sale (*bay' al- mua'jjal*). The excess in the loan contract is independent of the principal since it is imposed in total isolation from the amount of the loan. In contrast, the excess in the deferred sale is considered supplementary (*tabi'*) to the spot price of the transacted commodity, which is considered primary (*matbu'*), and it is imposed in association with it. This in turn signifies that the contractual increment is derived from the existence of the commodity and its spot price. Hence, a financial counter-value incorporated in the price is recognised by the sharī'ah only if it is associated with the original price of the commodity. This situation indicates that time can only be assigned monetary value indirectly, i.e., in association with the contracted subject matter. In contracts where the sharī'ah recognises positive time value, the existence of a transacted commodity is crucial in order to prevent a mere exchange of money for time, which may lead to making of money out of money. Money is not intended for its physical attributes and, hence, cannot be utilised directly to fulfil human needs. It is only desirable because people accept it in exchange for goods and services. Making money out of money through imposition of incremental value on the loan principal corrupts the essential function of money. The above maxim is also supported by another maxim of its kind which reads: “What is ancillary does not have its own particular ruling.”

Another corollary of the maxim *tabi' al-tābi'in* that is relevant to TVM states: “The attributes of [assets that are the subject of] rights cannot be waived independently [of their assets].” Jurists like *al-Suyuti* and *al-Zarkashi* discussed the issue of *al-ajal* (the deferment period) in Islamic jurisprudence while discussing the abovementioned maxim:

وَمِنْ تَمَّ لَوْ أَسْقَطَ مَنْ عَلَيْهِ الدَّيْنُ الْمُؤَجَّلُ الْأَجَلَ هَلْ يَسْقُطُ حَتَّى يَتِمَّكَنَ الْمُسْتَحِقُّ مِنْ مُطَالَبَتِهِ فِي الْحَالِ؟ وَجَهَانِ، أَصْحُهُمَا لَا يَسْقُطُ لِأَنَّ الْأَجَلَ صِفَةٌ تَابِعَةٌ، وَالصِّفَةُ لَا تُفْرَدُ بِالْحَكْمِ

“If a person owing a debt to be paid at a future date foregoes the deferral, does the creditor have the right to demand payment immediately? There are two opinions [in the Shāfi‘ī School]; the most correct is that [he does not] because the payment period is an ancillary attribute, and attributes have no independent ruling”.

This maxim signifies that something that is considered ancillary is not isolated from the specific ruling of its primary; rather, it is covered under the same dictates and legal rulings of the primary. In this regard, time does not command a price directly because it does not have all the distinctive features of property (*mal*) that qualifies it to be treated as property. However, time can be a secondary subject matter to the contracted commodity, and its price is to be associated with the price of the primary contracted commodity.

In a deferred payment sale, for example, time has a share in the price because it is monetarily valued in association with the subject-matter (*al-mabi‘*) of the contract, and it is not sold independently of the contracted subject matter. Time in this case is considered ancillary (*tabi‘*) whereas the subject-matter of the contract is primary (*matbu‘*). Hence, the juristic rulings of the primary should be extended to its ancillary, as mentioned earlier.

2.5 BNPL: A CONTEMPORARY DEFERRED PAYMENT SERVICE

2.5.1 Introduction

Buy Now, Pay Later (BNPL) has revolutionised the financing landscape by offering consumers with an innovative alternative to traditional credit systems. This model allows individuals to purchase goods or services immediately given their choice to defer the payment or split it to monthly repayment (Instalments). BNPL also has gained their popularity, especially among younger consumers, due to its convenience, flexibility, and often interest-free terms. Unlike traditional credit cards or personal loans, BNPL services are seamlessly integrated into the checkout process of online and physical stores, providing a frictionless shopping experience.

In Malaysia, providers like Atome, Grab PayLater, SPayLater, Lazada Pay Later, and Hoolah have rapidly gained popularity. These services have influenced consumer purchasing behaviour and disrupting the traditional credit industry. However, despite their appealing models, BNPL raises many important concerns especially about consumer protection, debt accumulation, and broader economic implications of easy-access credit option.

This subtopic will, therefore, provide a detailed examination of general operational mechanics BNPL providers in Malaysia. The discussion will encompass aspects such as customer eligibility, implementation and consumer interaction, credit limits, transaction limits, payment methods, payment instruments, fees and charges, default scenarios and issues related to refunds and returns.

2.5.2 Key Features and Operations of BNPL Services in Malaysia⁷⁴

As the researcher has explained before, BNPL services have transformed the way consumers finance purchases, offering a fascinating alternative to traditional credit. The core features and operations of BNPL services focus on maximising convenience and transparency while balancing responsible lending practices. Key elements such as flexible repayment schedules, instant credit assessment, clear fee structures, and user-friendly integration contribute to the appeal and effectiveness of BNPL services. Additionally, with a growing emphasis on ethical finance, BNPL providers are increasingly prioritising transparent and fair practices to ensure a trustworthy experience for users. The key features of BNPL services are:

1) Customer's Eligibility

BNPL models are designed to offer consumers flexible repayment options, allowing them to divide the cost of a purchase into manageable instalments. Common choices include paying within 30 days or extending payments over a few months, such as three or six months. This flexibility makes it easier for consumers to afford larger purchases without requiring upfront payment in full. By providing multiple repayment schedules, BNPL services support diverse financial needs, enabling users to manage their cash flow with greater convenience.

In contrast to the application process for a credit card, utilising a BNPL service does not necessitate the completion of a formal application form or the submission of documentation demonstrating the consumer's income or capacity to repay outstanding balances. Most BNPL providers abstain from conducting credit inquiries, such as those through the Credit Tip Off Service (CTOS) or Central Credit Reference Information System (CCRIS), as part of the application procedure. Generally, consumers are extended this service based on their repayment track record, demographic particulars and fundamental financial details.

⁷⁴ Shopee, "SPayLater Terms of Service." *Shopee MY Help Centre*.

Furthermore, the consumer must meet certain criteria, including being a minimum of 18 years old, holding Malaysian citizenship with a valid MyKad, possessing a local mobile number and having access to a credit or debit card for subsequent payments.

In contradistinction, in accordance with the policy outlined by Bank Negara Malaysia⁷⁵ financial institutions offering BNPL services are mandated to assess a financial consumers repayment capacity without causing undue financial hardship. Furthermore, this evaluation must encompass the individual's repayment history concerning existing credit facilities. In instances where there is no credit repayment history, financial institutions are compelled to scrutinise the consumer's track record concerning other recurrent payment obligations, such as utility or telecommunication bills. Within the ambit of affordability assessment, financial institutions are compelled to ascertain the ability of individuals with a cumulative BNPL credit limit of RM1,500 and above to fully repay the new BNPL facility, employing a judicious Debt Service Ratio (DSR) as elucidated in the policy documentation.

2) Credit Assessment and Consumer Interaction

An essential operational feature of BNPL services is the quick, streamlined credit assessment process. Once a user's account is verified, they undergo an instant evaluation based on purchasing behaviour and other relevant factors to establish eligibility and assign a credit limit. This automated assessment allows approved users to start making purchases immediately. BNPL providers use credit assessment algorithms to measure the risk, balancing accessibility for consumers with responsible lending practises.

BNPL services integrate seamlessly into both online and physical retail environments. During checkout, consumers can select BNPL as their payment method, enabling them to divide the total purchase amount into a small and manageable instalment. Registration and verification processes are streamlined through user-friendly mobile applications or web platforms, often providing instant approval. This convenience has contributed to the rapid adoption of BNPL services among Malaysian consumers.

3) Credit Limit

Credit limit refers to the maximum amount you can borrow or spend using your credit card. This is a cap set by the bank or financial institution based on your credit assessment. A credit

⁷⁵ Shariah Advisory Council of Bank Negara Malaysia, *The Shariah Advisory Council of Bank Negara Malaysia (SAC) Ruling on Buy Now Pay Later (BNPL) Facility*.

limit of RM5,000 indicates that the user cannot transact beyond this amount at any given time. The credit limit offered by BNPL providers varies based on individual assessments of a consumer's financial capacity and repayment history. For instance, platforms like Atome offer credit limits up to RM1,500 for non-credit card users and up to RM5,000 for credit card users. These limits may increase over time with consistent, timely repayments, encouraging responsible borrowing and spending habits.

4) Transaction Limit

Transaction limit, on the other hand, is the limit set for each individual transaction you make. This is typically used for security purposes, especially in online transactions or larger purchases. For example, even if your credit limit is RM5,000, the bank may set a daily transaction limit of RM1,000, meaning you cannot make more than RM1,000 in a single transaction on that day. Transaction limits of BNPL are determined by the consumer's approved credit limit and the specific policies of the BNPL provider. Some platforms set minimum purchase amounts to qualify for Instalment payments. For example, Atome requires a minimum purchase of RM10 to utilise their BNPL service. These limits help manage risk and ensure that the service is used for appropriate purchase amounts.

5) Payment Method

The payment method you choose plays a crucial role in managing your finances and ensuring smooth transactions. Understanding the various options available can enhance convenience and promote timely payments. Thus, BNPL services revolutionise the way consumers manage their purchases by allowing them to split payments into manageable Instalments, typically over periods ranging from two to six months. Payments are automatically deducted from linked debit or credit cards, bank accounts, or e-wallets on scheduled dates, reducing the risk of missed payments. This automated process enhances convenience and encourages timely repayments.

6) Payment Instrument

BNPL operators typically restrict payment options to debit or credit cards in order to minimise the risk of payment default and ensure a consistent payment flow. For example, Atome, one of the BNPL provider, primarily limits payment methods to debit or credit cards. While consumers have the option to add multiple cards as payment instruments, the only default debit source is the card designated as "Primary". However, another BNPL provider Split accepts debit or credit cards from any bank and employs an automatic deduction mechanism similar to

Atome. On both platforms, consumers also have the flexibility to make early payments for the second and third instalments prior to their respective due dates. However, Atome users are only able to initiate early payments for the last two instalments after a period of three days from the transaction date.

BNPL options are often integrated seamlessly into online shopping platforms, providing users with an accessible and straightforward experience. The BNPL option appears during checkout, allowing users to select it with minimal steps. This user-centric approach to design makes BNPL services highly attractive to those seeking simplified payment methods, including those without access to traditional credit facilities. The accessibility of BNPL platforms thus appeals to a broad range of consumers, offering flexibility in purchasing.

7) Service fee and Late payment charge

While many BNPL plans offer interest-free Instalments, they often impose fees for late or missed payments. For example, Atome charges a late payment fee of RM30 per missed payment, capped at RM60 per purchase. Some platforms may also charge processing fees or interest for longer Instalment plans. Consumers should review the terms and conditions of each provider to understand potential costs.

8) Default case

In Malaysia, the majority of BNPL providers impose penalties for delayed payments, typically in the form of conventional late fees or interest charges, contingent on the specific BNPL platform. Typically, an individual's creditworthiness, when applying for a loan, is determined by evaluating their financial particulars, encompassing their history of loan applications, payment track record, outstanding credit and other relevant factors. Failing to meet the loan repayment deadline adversely affects one's credit score. However, this is not yet a widespread practise in Malaysia. Conversely, it is worth noting that BNPL platforms have the potential to report delayed payments to credit reporting agencies. In contrast, TransUnion, a prominent credit reference agency in the United Kingdom, began incorporating individuals BNPL borrowing data into their credit reports as of 2022.

For example, Atome as one of the BNPL provider, ensures that its consumers receive timely SMS reminders and updates on their payment statuses one day prior to the due date. Users who default on payments will face restrictions on purchasing goods through the Atome platform until the outstanding amount is settled. Furthermore, protracted delays in payments may lead to the permanent suspension of the consumer's account.

Split affirms its commitment to refrain from levying any fees or charges upon the stipulated payment date. In the circumstance of consumer default, Split reserves the right to recover the outstanding amount through the following means:

- a) Offsetting against any sum owed by Split, including balances within the consumer's Split credit, where refund amounts from certain transactions may be retained therein.
- b) Enlisting the services of third-party entities or pursuing legally permissible actions.
- c) Notifying pertinent credit reporting agencies, bureaus, or relevant regulatory authorities for inclusion in blacklisting records.

Failure to meet payment obligations can result in several consequences, including late fees, suspension of BNPL account privileges, and potential reporting to credit agencies, which may affect the consumer's credit score. Persistent defaults could lead to involvement from debt collection agencies. It is crucial for consumers to adhere to payment schedules to maintain financial health.

9) Return and Refund

Most BNPL providers require consumers to handle refund requests directly with the merchant. Once the merchant approves a refund, the BNPL provider processes the transaction and credits the amount back to the consumer's credit or debit card within a set period.

For example, Afterpay in their platform, if the merchant initiates a refund, Afterpay will update the buyer's payment schedule to reflect the refund amount and adjust instalments accordingly rather than simply voiding the entire order⁷⁶. Afterpay handles partial refunds by cancelling future instalments or reducing payments in order, depending on how much has already been paid.

In comparison, Split applies a different approach. If the refund exceeds the outstanding instalment balance, consumers receive the full amount back to their card. However, if the refund is lower than the outstanding instalment, the amount is converted into Split Credits⁷⁷. These credits are stored in the consumer's account and automatically deducted from the next scheduled payment.

Refund and return policies under BNPL services generally mirror the merchant's own policies. Once a return is approved, the BNPL provider manages the adjustment, either

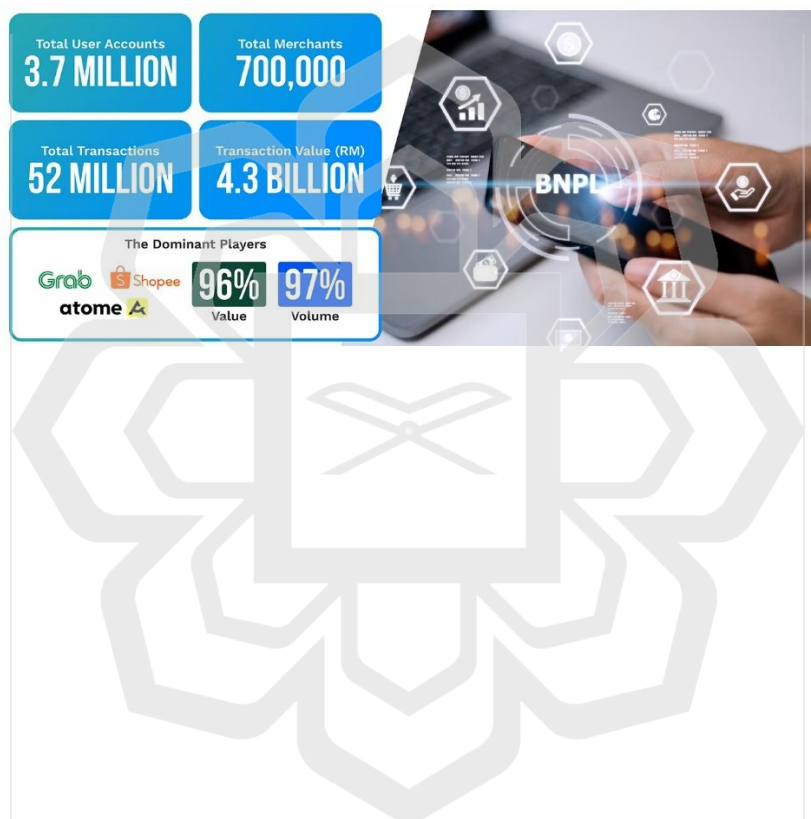
⁷⁶ Afterpay, "How Do I Process a Refund?" *Afterpay Help Centre*, updated March 4, 2024, accessed September 29, 2025 <https://help.business.afterpay.com/hc/en-us/articles/4708271751193-How-do-I-process-a-refund>

⁷⁷ Buna Market. "Split Payment." *Buna Market*. Accessed September 29, 2025. <https://bunamarket.com/pages/split>

reducing the outstanding balance or reimbursing amounts already paid. This system helps protect consumers from financial loss when returning items purchased using BNPL.

These refund practises highlight the differences in how providers structure their services, which in turn shapes consumer experience and trust in the platforms. BNPL has expanded rapidly in Malaysia, with more than 3.7 million users choosing these platforms over conventional credit options⁷⁸. The ease and flexibility of BNPL are reshaping consumer behaviour and influencing the retail sector across the country.

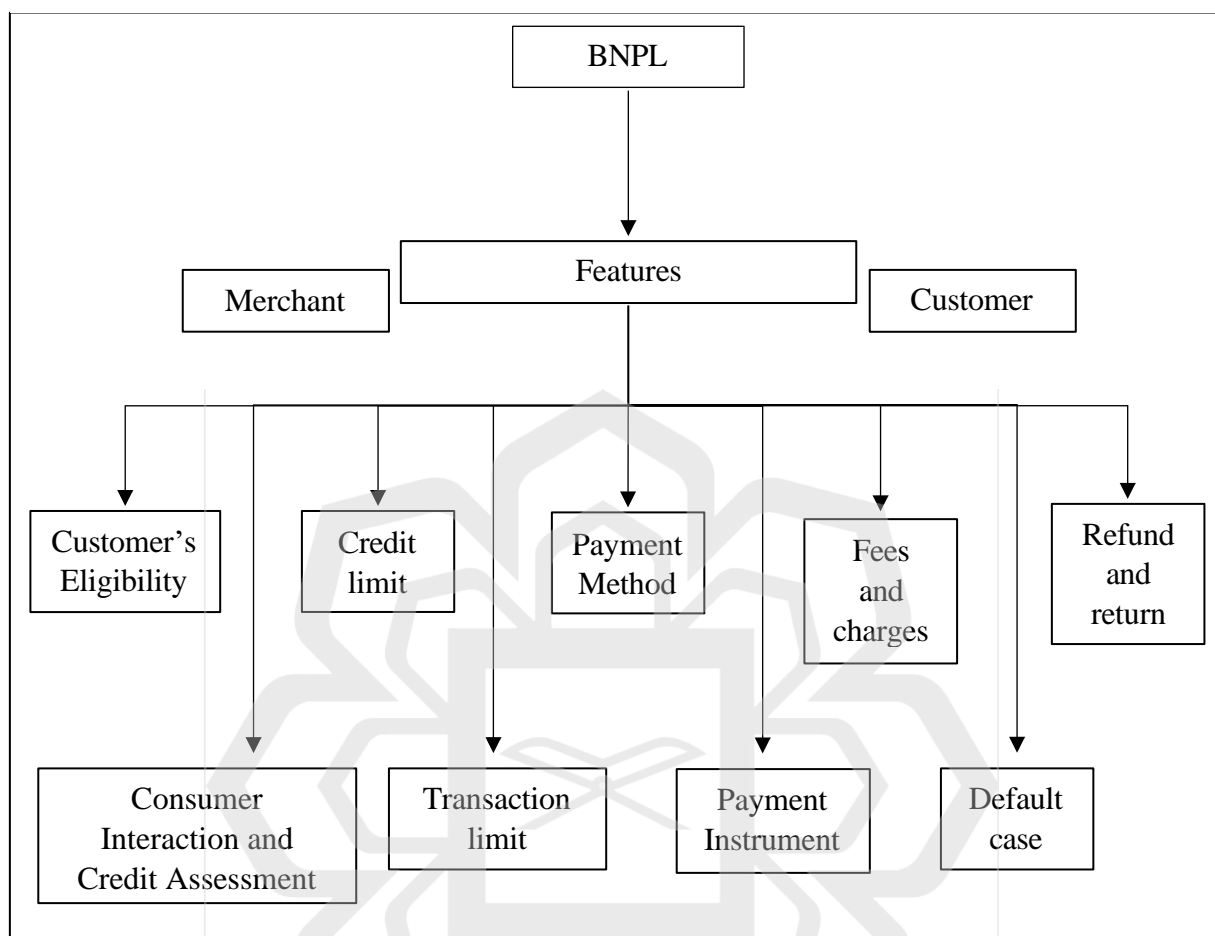
Figure 1 Overview of BNPL in Malaysia⁷⁹



⁷⁸ CCOB Task Force, “Buy Now Pay Later (BNPL) Industry in Malaysia,” *Industries*, accessed September 29, 2025, <https://ccob.my/industries/>

⁷⁹ *Fintech News Malaysia*. “Why Are 3.7 Million Malaysians Choosing BNPL Over Traditional Credit.” *Fintech News Malaysia*, February 15, 2024. <https://fintechnews.my/47148/malaysia/bnpl-malaysia-market-2024/>

Figure 2 Summary of BNPL Operations and Features in Malaysia



2.5.3 BNPL and Time Value of Money

The concept of Time Value of Money (TVOM) is an important part for both conventional and Islamic finance and plays a significant role in BNPL models. In conventional finance, TVOM is applied through interest and late fees, compensating lenders for the opportunity cost of delayed repayment. This reflects Positive Time Preference (PTP), where receiving money sooner is preferred due to factors like inflation, opportunity cost, or uncertainty about the future. However, Islamic finance prohibits *ribā* (interest), which involves earning returns solely based on time without any connection to productive economic activity. Instead, Islamic finance acknowledges TVOM but restricts its application to asset-based transactions where any increase in value over time is linked to tangible goods or services.

This principle is evident in deferred sales such as *Bay' al-taqṣīṭ* and *Bay' al-Muajjal* where a seller may set higher prices for deferred payments. The markup in the goods price

compensates for the delayed payment and not constitute interest. Additionally, this markup needs to be agreed upon from the beginning, to ensure its transparency and compliance with sharī'ah law. sharī'ah-compliant BNPL models adopt a similar approach, using fixed markups at the point of sale rather than interest or penalties that accrue over time. This preserves the ethical foundations of Islamic finance by tying any price increase to a tangible asset, rather than charging arbitrary fees for time alone.

sharī'ah-compliant BNPL models emphasise ethical practises that align with TVM while respecting Islamic principles. The agreed-upon markup offers transparency and predictability, eliminating uncertainty (*gharār*) often present in conventional BNPL models, where interest rates or penalties fluctuate. Additionally, if late fees are imposed, they are minimal, covering only administrative costs and often directed toward charitable purposes. This ensures that financial institutions do not profit unethically from penalties, maintaining Islamic finances commitment to fairness and justice.

By aligning TVOM with Islamic values, sharī'ah-compliant BNPL models will offer Muslim consumers flexible and ethical payment alternatives. These models demonstrate how Islamic finance integrates TVM into contemporary financial systems, meeting modern consumer needs while adhering to principles of justice, transparency, and interest-free transactions. Through these practises, sharī'ah-compliant BNPL can highlights the compatibility of ethical finance with practical consumer demands in today's economic environment.

2.6 Comparative Analysis: Classical Models vs. BNPL

Classical Islamic financing models *bay' bithamān ājil* (BBA), *bay' al-taqṣīt*, and *bay' al-mu'ajjal* represent traditional methods designed to align strictly with sharī'ah principles. These models exclude *ribā* and emphasise straightforward, transparent contracts. BBA involves selling goods on a deferred payment basis, with the price including an agreed-upon profit margin instead of interest. This ensures that all parties understand the cost upfront, fostering trust and fairness. *Bai' al-taqṣīt* is an instalment sale model where payments are divided into clear, manageable amounts, giving buyers flexibility without introducing ambiguity. *Bai' Muajjal*, on the other hand, offers the option of full deferred payment at a later date, allowing buyers to access goods immediately while settling the payment later. Across these models, clarity, fairness, and mutual agreement are non-negotiable. These principles ensure risk-sharing and aim to avoid exploitation or uncertainty (*gharār*), often seen in predatory lending practises.

In contrast, modern BNPL platforms like Shopee and Lazada operate within a credit-based system that may conflict with sharī‘ah principles. These platforms typically collaborate with third-party financial institutions to offer Instalment options. While BNPL services appear convenient and sometimes claim to be interest-free, their terms often include hidden fees or ambiguous clauses that introduce uncertainty. For example, some BNPL arrangements may lack clear rules on ownership transfer, blurring the lines between buyer and seller responsibilities a key requirement in sharī‘ah compliance. Moreover, penalties for late payments are common in BNPL schemes, which imitates conventional financial penalties considered *ribā* in Islamic jurisprudence. This creates additional challenges for Muslims seeking to use these services while adhering to their faith.

The contrast between classical models and current BNPL systems lies in their foundational principles. Classical models are explicitly designed to align with Islamic ethics, promoting fairness, transparency, and risk-sharing. Modern BNPL systems, while appealing due to their accessibility and ease of use, require significant modifications to meet sharī‘ah compliance, particularly in terms of pricing transparency, ownership transfer, and the prohibition of *ribā*.

Table 5 Classical Models vs. Current Models

| ASPECT | CLASSICAL MODEL | CURRENT MODEL |
|--------------------------|------------------------------------|-------------------------------------|
| Pricing | Fixed, agreed upfront | May include hidden fees/charges |
| Interest (<i>Ribā</i>) | Prohibited | Often present, explicit or implicit |
| Ownership transfer | Immediate | Varies, not always clear |
| Penalty for Late Payment | Not allowed | Common practise |
| Transparency | High | Varies; terms may lack clarity |
| Compliance with sharī‘ah | Explicitly designed for compliance | Requires careful examination |

CHAPTER THREE

TAKYĪF FIQHĪ OF BNPL SERVICES

3.1 INTRODUCTION TO THE CONCEPT OF TAKYĪF FIQHĪ

Takyīf fiqhī refers to the process of identifying the appropriate fiqh classification and legal characterisation of a transaction, contract, or action. It involves examining a contemporary or complex practice to determine its closest equivalent within established fiqh categories, so that the relevant Sharī‘ah rulings may be applied accurately.⁸⁰ This process allows jurists to evaluate new practices based on recognised legal principles rather than treating them as entirely novel phenomena.⁸¹

In the context of modern finance, *takyīf fiqhī* plays an important role in assessing Sharī‘ah compliance, as many contemporary business models do not correspond directly to classical contractual forms. Proper legal characterisation is therefore a necessary step before issuing any ruling, as an incorrect classification may lead to an incorrect legal conclusion.⁸² Through this approach, Islamic law remains applicable to evolving financial practices while maintaining coherence with its foundational principles.⁸³

Through *takyīf fiqhī*, scholars examine various aspects of a transaction, such as its purpose, conditions, and structure, to determine its alignment with the core principles of sharī‘ah. This process involves considering factors like risk distribution, contractual obligations, and the presence of elements prohibited in Islamic finance (e.g., *ribā* or interest, *gharār* or excessive uncertainty, and *maysir* or gambling). By placing a transaction within an established fiqh category, such as *bay‘* (sale), *ijārah* (leasing), or *qard* (loan), scholars can provide guidance on its permissibility and suggest necessary modifications for sharī‘ah compliance.

The main principle of any financial transaction in Islam lies in the sharī‘ah contract structure, including the “Buy Now, Pay Later” (BNPL) facility. Based on the sharī‘ah Advisory Council (SAC) of Bank Negara Malaysia (BNM) rulings, the BNPL facility is permissible,

⁸⁰ ‘Abd Allāh ibn Bayyah, *Ṣinā‘at al-Fatwā wa Fiqh al-Aqalliyāt* (Cairo: Dār al-Salām, 1999), 45–47

⁸¹ Muṣṭafā Aḥmad al-Zarqā, *al-Madkhal al-Fiqhī al-‘Āmm*, vol. 1 (Damascus: Dār al-Qalam, 1998), 365–370

⁸² Wahbah al-Zuhaylī, *Uṣūl al-Fiqh al-Islāmī*, vol. 1 (Damascus: Dār al-Fikr, 1986), 101–103,

⁸³ Monzer Kahf, “Islamic Finance: Contracts, Practices and Shariah Issues,” 6–8,

https://monzer.kahf.com/papers/english/islamic_finance_contracts_practices_and_shariah_issues.pdf

provided it is structured based on the appropriate sharī'ah contracts. According to Wan Ahmad Zarif⁸⁴, BNPL facility offered to customers in Malaysia applies a sale-based contract, *bay' bithaman ajil* (sale of deferred payment) and *bay' al-taqsīt* (deferred payment with the fixed schedule). In addition, BNPL can also be structured using the contract of *qard* (benevolent loan), *murābahah* (cost plus financing), *bay' al-tawarrūq* (cash financing), *al ijārah thumma al bay'* (islamic hire purchase), or *mushārah mutanāqishah* (diminishing partnership). Thus, applying appropriate sharī'ah contracts ensures the preservation of the rights and obligations of the contracting parties in the BNPL transaction⁸⁵.

3.2 Potential *Takyīf Fiqhī* on BNPL

1) *Bay' al-Mu'ajjal* (Deferred Sale)

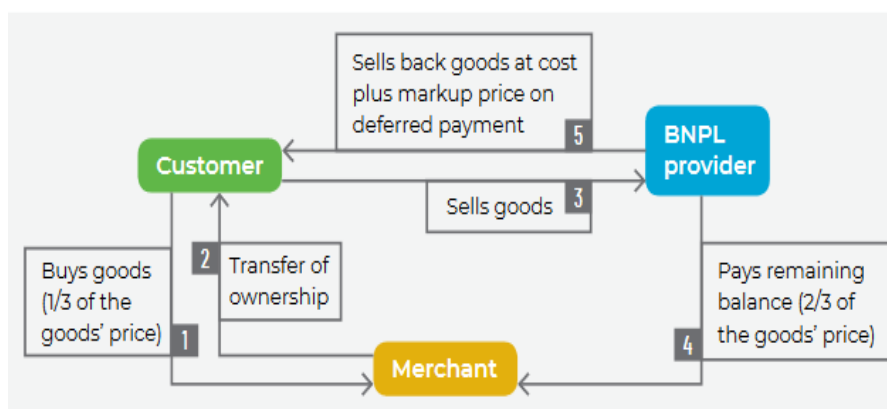
Bay' Mu'ajjal, or deferred sale, is a contract in which goods are transferred immediately, while payment is postponed to a future date. In fiqh, this contract is valid provided that the price is fixed and mutually agreed upon at the time of sale, even if repayment is structured in instalments. Within the BNPL model, this arrangement bears close resemblance to *bay' al-mu'ajjal*, as consumers receive immediate access to goods or services with the obligation to pay over a specified period, often without additional charges.

For BNPL to comply fully with sharī'ah, providers must avoid imposing fees that resemble interest or surcharges for deferred payment. Late-payment charges, in particular, risk classification as *ribā*, which is prohibited. A permissible alternative could involve non-monetary measures, such as suspending access to future BNPL services, to encourage timely repayment without contravening sharī'ah principles. Structuring BNPL within the framework of *bay' al-mu'ajjal* thus offers a viable model, especially when instalments are interest-free and free from punitive charges linked to delay.

⁸⁴ Wan Ahmad Zarif bin Wan Yusoff and Adlin Zulkefli, "Buy Now Pay Later: A Brief Shariah Analysis, IF HUB," *International Shari'ah Research Academy for Islamic Finance (ISRA) Research Management Centre*, no. 3 (October 2022): 10–11.

⁸⁵ "Hasmah Laili Jamalurus - 2024 - FROM CLICK TO COMPLIANCE SHARIAH-COMPLIANT BUY NO.Pdf," n.d., 64.

Figure 3 *Bay' al-Mu'ajjal* based flowchart



2) *Bay' al-Murābahah* (Markup Sale)

Bay' al-Murābahah is a well-recognised Islamic financing model in which the seller discloses the original cost of an asset and adds an agreed profit margin. The contract may be concluded on either a cash or deferred payment basis. What distinguishes *murābahah* from other forms of sale is its reliance on transparency and trust: the seller must explicitly disclose to the buyer the actual cost incurred and the profit to be added.

The permissibility of *Bay' al-Murābahah* rests on the general principle of lawful trade, as mentioned earlier in the discussion of *Bay' al-Mu'ajjal*. The Qur'an affirms this in Sūrat al-Baqarah (2:275)

﴿... وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا...﴾

Translation: Allah has permitted trading and prohibit *ribā* (interest).

Furthermore, the consensus of Muslim jurists (*ijmā'*) and the established Islamic legal maxim, الأصل في العقود الإباحة حتى يدل الدليل على تحريمه (*The basic principle in contracts is permissibility unless there is evidence to indicate prohibition*), support its legality. This maxim holds that financial transactions are permissible in principle unless there is clear evidence to prohibit them.

Based on the book *Islamic Financial System*,⁸⁶ there are two types of *murābahah* contract:

1. **Ordinary *Murābahah***: a straightforward sale where the seller discloses cost and profit to the buyer.

⁸⁶ Marjan Muhammad and Mezbah Uddin Ahmed, *Islamic Financial System: Principles & Operations (3rd Edition)*, 3rd ed. (International Shari'ah Research Academy for Islamic Finance (ISRA), Research Management Centre, 2023), 240-245.

2. ***Murābahah* to the Purchase Orderer (MPO):** widely used in Islamic finance, where the seller acquires an asset upon the buyer's request and sells it at a disclosed cost-plus profit, often on a deferred basis.

In order to apply the *murābahah* contract, the basic rules and conditions of *murābahah* must be observed. As it is a type of sale contract, all the general conditions governing sales are applicable. In addition, several specific requirements must be fulfilled for *Murābahah* to be valid, namely:

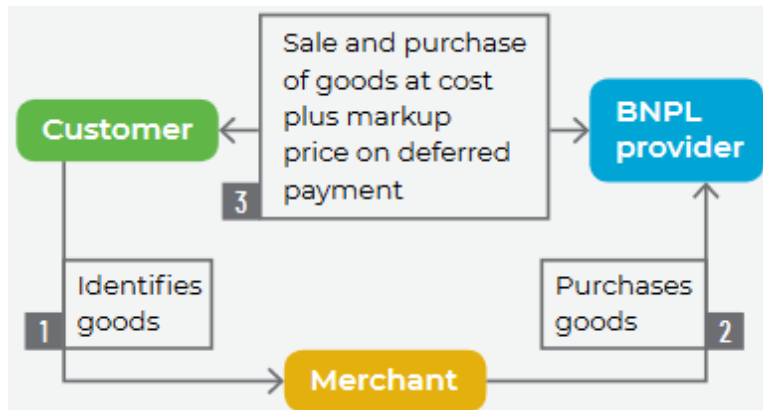
1. The cost price must be disclosed to the buyer.
2. The profit margin (markup) must be disclosed to the contracting parties.
3. The *murābahah* asset must be recognised as valuable by the sharī'ah
4. The *murābahah* contract must not lead to *ribā*

Murābahah is not a new instrument in the Islamic banking and finance industry. It has been widely applied for many years, particularly in financing houses, vehicles, and other consumer goods. It is therefore an established model in Islamic finance. The researcher argues that *murābahah* could also be adapted to the BNPL model, provided that it adheres to sharī'ah requirements.

The core structure is as follows: the financier (BNPL provider) acquires the item from the merchant (seller) and then resells it to the customer at a higher price with a disclosed profit margin. The customer then repays the agreed price in instalments over a specified period. This structure complies with sharī'ah principles in the following ways:

1. **Transfer the ownership:** The financier must take actual ownership of the item before selling it to the customer, thereby avoiding the prohibition against selling what one does not yet possess.
2. **Disclosure of cost and profit:** The total sale price, including the profit margin, must be fixed and disclosed at the outset, ensuring transparency.
3. **Avoidance of *ribā*:** Once the price is agreed, no additional charges may be imposed. Interest-based penalties, including late-payment fees, are strictly prohibited.

Figure 4 *Murābahah* based flowchart



The researcher therefore contends that *murābahah* offers a viable contractual basis for a shari‘ah-compliant BNPL model. Its flexibility in accommodating deferred and instalment-based payments makes it particularly suitable. However, strict adherence to shari‘ah rules remains essential. No additional charges beyond the original price and disclosed markup may be imposed. Furthermore, the process begins with the BNPL provider’s purchase from the merchant, transfer of ownership, and resale to the customer, it must be carefully structured and fully documented. Failure to regulate these elements adequately could cause the arrangement to resemble an interest-bearing loan rather than a genuine sale.

Nevertheless, with an appropriate regulatory and contractual framework, *murābahah* can be effectively integrated into BNPL models in a manner consistent with shari‘ah.

3) *Bay‘ al-Dayn*

Bay‘ al-dayn refers to the sale of a debt in exchange for cash, another debt, or a commodity. The transaction may involve the original debtor or a third party, and it can be conducted either on a spot or deferred basis. Classical jurists discussed this contract extensively, with the majority prohibiting it due to its potential association with *ribā* or *gharār*.⁸⁷

Some contemporary scholars, however, have explored the possibility of applying *bay‘ al-dayn* in limited contexts, particularly within modern Islamic finance. In this regard, the researcher argues that *bay‘ al-dayn* has potential as one of the possible *tak‘yīf fiqhī* (juristic adaptations) for structuring shari‘ah-compliant BNPL models, provided that the transaction is designed to avoid elements of *ribā* and ambiguity.

⁸⁷ Marjan Muhammad and Mezbah Uddin Ahmed, *Islamic Financial System: Principles & Operations (3rd Edition)*, 3rd ed. (International Shari‘ah Research Academy for Islamic Finance (ISRA), Research Management Centre, 2023), 269.

Hence, these five different types of *bay' al-dayn* could be simplified below:

- 1) Sale of debt to the debtor on a spot basis
- 2) Sale of debt to non-debtor on a spot basis
- 3) Sale of debt to the debtor for a deferred price
- 4) Sale of debt to non-debtor for a deferred price
- 5) Sale debt to both debtor and non-debtor for commodities

Among these, only the first type, selling a debt back to the debtor on a spot basis has been endorsed by the majority of jurists. The rationale is that what is established as a liability is deemed equivalent to something present and thus can be exchanged without leading to dispute. In this view, it is treated as an exchange of two existing countervalues, making it permissible. The other types remain contentious, with significant disagreement among scholars regarding their validity.

Given this framework, the researcher argues that the permissible form of *bay' al-dayn* (selling debt to the debtor on a spot basis) could be applied to BNPL structures. For example, after a product is sold on credit, the buyer incurs a fixed debt. If the BNPL provider subsequently offers the buyer the option to settle this debt immediately with a lump-sum cash payment, without additional charges or deferment, the arrangement falls within the accepted parameters of *bay' al-dayn*.

This provides two benefits, the provider gains liquidity through early repayment and the buyer benefits from a sharī'ah-compliant option for early settlement. As long as the transaction avoids interest, additional fees, and uncertainty, it can strengthen the sharī'ah compliance of BNPL financing structure

4) *Ijārah* (Lease)

The literal definition of *Ijārah* is the reward given for service rendered. It is derived from the root word (*ajāra*): to recompense, compensate or give consideration or return⁸⁸. Technically, *Ijārah* is a contract for the transfer of ownership of a usufruct for compensation. Based on the Islamic Financial System book by ISRA⁸⁹, *Ijārah* contract consists of several types based on different considerations. These types can be classified into key categories.

First, *Ijārah* can be categorised based on the **subject matter** of the lease. This includes leases of physical assets (*'ayn*) and leases of services or labour (*'amal*). Second, *Ijārah* can be

⁸⁸ Marjan Muhammad and Mezbah Uddin Ahmed, *Islamic Financial System: Principles & Operations (3rd Edition)*, 277.

⁸⁹ *Ibid.*, 277.

classified by the **specification of the subject matter**. This includes *Ijārah mu'ayyanah*, which refers to a specific and identified benefit, and *Ijārah mawsūfah fī al-dhimmah*, which refers to a liability or promise by the lessor to deliver a benefit in the future. Another classification is based on the **time the contract becomes effective**. This includes *Ijārah munajjazah*, which takes effect immediately; *Ijārah mu'allaqah*, which is conditional upon the fulfilment of certain conditions; and *Ijārah mu'ajjalah ilā al-mustaqbal*, which begins at a specified future date. *Ijārah* is also divided based on **the bindingness**. *Ijārah lāzimah* refers to a binding contract that cannot be unilaterally revoked after agreement. Lastly, *ijārah* can be classified based on **ownership transfer feature**. *Ijārah tashghīliyyah* (operating lease) involves no transfer of ownership, while *Ijārah tamwīliyyah* (finance lease) often ends with the transfer of ownership to the lessee after the lease term.

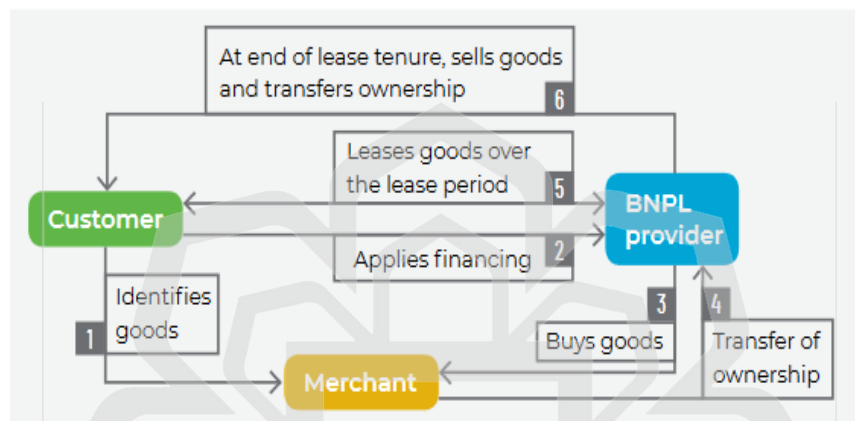
Ijārah can be classified into several types based on different criteria:

1. **Based on the subject matter:**
 - *'Ayn*: Lease of physical assets.
 - *'Amal*: Lease of services or labor.
2. **Based on the specification of benefit:**
 - *Ijārah mu'ayyanah*: Specific and identified benefit.
 - *Ijārah mawsūfah fī al-dhimmah*: Benefit promised or pledged for future delivery.
3. **Based on the time the contract becomes effective:**
 - *Ijārah munajjazah*: Effective immediately.
 - *Ijārah mu'allaqah*: Conditional on certain events.
 - *Ijārah mu'ajjalah ilā al-mustaqbal*: Effective at a future date.
4. **Based on the binding nature of the contract:**
 - *Ijārah lāzimah*: Legally binding and non-revocable after agreement.
5. **Based on ownership transfer:**
 - *Ijārah tashghīliyyah* (operating lease): No transfer of ownership.
 - *Ijārah tamwīliyyah* (finance lease): Ends with the transfer of ownership to the lessee.

From the Researcher observation, *Ijārah tamwīliyyah* (finance lease) is the most relevant to sharī'ah-compliant BNPL models. This type of contract (*Ijārah tamwīliyyah*) is an agreement where ownership of the asset eventually transfers from the lessor to the lessee. The common transactions that using this type of *ijārah* is the transaction related to real estate, machinery, and equipment. A well-known structure under this type is *al-Ijārah al-muntahiyah*

bi al-tamlīk, where the lease ends with a transfer of ownership through a sale contract, a conditional *hibah*, or a promise to make *hibah*. The *ijārah* contract that ends with transfer of ownership via a sale contract is known as *al- Ijārah thumma al-bay*⁹⁰, popularly known by the acronym **AITAB**. It is also called *al- Ijārah wa al-iqtinā*⁹¹. The sale could be for a token consideration, or by accelerating the payment of the remaining amount of rental, or by paying the market value of the leased property, or by other mutually agreed consideration.

Figure 5 AITAB based flowchart



The researcher suggests that in order to structure BNPL under the *Ijārah* contract, the BNPL provider would need to change the service as a leasing agreement, with one condition; the goods that had been leased need to be transferred the ownership to the lessee at the end of the contract. The BNPL provider could technically retain ownership of the item until all payments are complete, thereby “leasing” the item to the consumer until the end of the Instalment period. This arrangement would mean that the consumer effectively “rents” the item and only gains ownership upon the final payment. However, this structure contrasts with the current BNPL model, where the consumer typically assumes ownership immediately upon purchase.

5) *Qarḍ* (Loan)

From a linguistic perspective, *al-qarḍ* means ‘to cut’ (*al-qat’u*)⁹⁰. Money or assets given to a debtor are called *qarḍ* because the creditor cuts off (takes) a portion of their wealth to give to the debtor. In terminological terms, *al-qarḍ* refers to the transfer of goods or assets from a creditor to a debtor with the condition that these goods or something of equivalent value will

⁹⁰ Mustafa al-Khin et al., *al-Fiqh al-Manhaji ‘ala Mazhab al-Imam al-Syafi’i*, 6:101.

be returned to the original owner without any additions⁹¹. Any increase in the goods or money lent is prohibited in Islam as it is considered *ribā* (usury) or an excess without compensation imposed by the lender while awaiting repayment. The borrower has the responsibility to return goods identical or similar to what was borrowed without any additions to the borrowed property. Objects of *qard* contract typically are money or other mediums of exchange accepted by the public. This contract also falls under the category of *tabarru'* (charitable contracts), which is based on the concept of benevolence. This is because only the borrower gains the benefit from this contract as they shall pay the loan no more than the principal amount. Any terms that oblige the borrower to repay more than the principal amount, whether as a reward, profit or interest is strictly prohibited.

This structure can be referred as *Qard al-Hasan*. In general, the word *Qard al-Hasan* means a good loan. It is a manifestation of a person's concern to do good by helping other people who is in difficulty, especially in financial aspects. Therefore, the borrower only needs to pay the amount borrowed without being charged interest. The concept of goodness in this contract also leads to the tolerance and concern of the borrower who can give monetary token of appreciation to the lender when paying off his debt as a sign of appreciation to the lender for providing help in a desperate situation. This is based on the hadith of Jabir bin Abdullah who narrated that he went to meet Prophet Muhammad (peace be upon him) at the mosque. He ordered him to pray two *rak'ah* and after that he repaid his debt with more than the original amount⁹². In this situation, Prophet Muhammad paid more than the principal amount not as a condition of the loan, but as a gesture of goodwill.

Now, *Qard* is not suitable with the current BNPL structure. This contract cannot be applied because of the processing fee and late penalty charges that have been implied in current BNPL models. Theoretically, the *qard* contract can be applied in BNPL model, but only with strict limitations and careful restructuring. Normally, current BNPL models such as Shopee Pay Later, Lazada Pay Later, Atome, Split and others having a platform paying to the merchant upfront and collect the repayment from the user over the time. This structure appears similar to *qard* in a way that one party lends an amount and expects to be repaid later. The only difference with *qard* and current BNPL structure is for *qard*, the borrower shall repay the lender with the same exact principal amount that have been borrowed, meanwhile in current BNPL

⁹¹ Syahnaz binti Sulaiman, "Konsep Pinjaman Menurut Perspektif Islam," *Jabatan Kemajuan Islam Malaysia (JAKIM)* 22 (2009): 172.

⁹² *Ṣaḥīḥ al-Bukhārī*, no. 2264, vol. 2, p. 843.

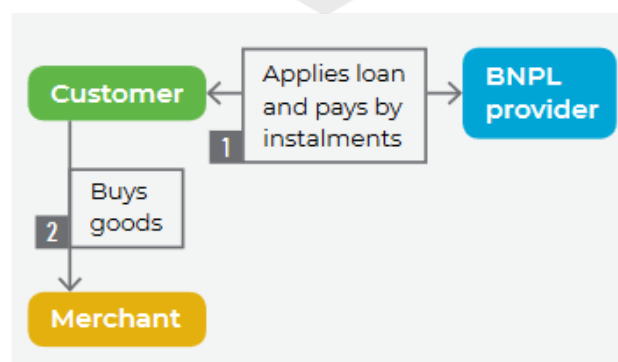
structure there is some additional processing fee that need to be paid besides from the principal amount.

However, applying *qard* in a commercial BNPL model poses major challenges. Islamic Law strictly prohibits any form of gain in the *qard* contract, whether in the form of money or other things. Any additional charge, even under the label of processing fees classified as *ribā al-qard*. Imam *al-Bayhaqī* mentioned in his books “Every loan that brings about a benefit is *ribā* (usury)”⁹³ (كُلُّ قَرْضٍ جَرَّ مَنفَعَةً فَهُوَ رِبَاً). Most BNPL providers operate on a profit-driven model, relying on various charges to cover operational costs, risk, and profit. These features conflict with the essence of *qard*, which is rooted in benevolence (*tabarruʿ*) and not designed for commercial use.

If a BNPL platform seeks to use *qard* as their *takyīf fiqhi*, they must remove all charges and avoid benefiting financially from the repayment process and also managing the risks like default without resorting to penalties or late fees. This limitation could create a financial challenge, as many BNPL providers depend on service fees and late payment charges as their revenue source. Given these limitations, BNPL provider strictly need to find alternative sources of income to support the interest-free structure to achieve *sharīʿah* compliant status.

Hence, the researcher can conclude that *qard* may offer a *sharīʿah*-compliant BNPL framework theoretically, but in the reality the practical application is very limited. *Qard* contract can only be used in non-profit models or benevolence-based model and not in conventional commercial operations. Thus, adopting *qard* as a *takyīf fiqhi* for BNPL is not possible, unless they restructure the framework with careful consideration about additional fees and the sustainability of the BNPL provider.

Figure 6 Qard based flowchart



⁹³ Abū Bakr Aḥmad ibn al-Ḥusayn ibn ‘Alī al-Bayhaqī, *Al-Sunan al-Kabīr*, 1st ed., 24 vols. (Markaz Hajr li-l-Buḥūth wa-l-Dirāsāt al-‘Arabiyyah wa-l-Islāmiyyah, 2011), 291.

6) *Wakālah* (Agency)

Wakālah is a well-established concept in Islamic jurisprudence. It is the contract that have been commonly applied across various sectors, including Islamic banking products, fee-based takaful offerings, and capital market instruments.⁹⁴ Linguistically, *Wakālah* is a noun derived from the verb *wakala*, which carries several meanings, including acting on behalf of another, safeguarding, and delegating responsibilities.⁹⁵ In Islamic Finance, *Wakālah* contract is defined as a contract in which one party, the *muwakkil* (principal), appoints another party, the *wakīl* (agent) to act on their behalf in permissible matters (*mubāḥāt*).⁹⁶ It is classified as a non-binding contract in terms of obligation (meaning either party may revoke it prior to performance).⁹⁷

However, it becomes binding once the agent begins executing the assigned task.⁹⁸ The agent may perform the assigned task either voluntarily or for a fee, in which case it is referred to *wakālah bi al-ajr*.⁹⁹ Within Islamic commercial law (*mu'āmalāt*), *wakālah* is permissible and commonly applied in modern Islamic finance. Muslim scholars have come to a consensus on the permissibility of the *wakālah* contract. This is due to people's dire need of assistance in accomplishing certain tasks that they are incapable of doing on their own.¹⁰⁰

In the context of BNPL, *Wakālah* may serve as one of the potential *takyīf fiḥi* that can be applied to construct sharī'ah compliant BNPL. Most of the current BNPL models have the risk of *ribā* arises due to their interest-based repayment structures. To address this, the researcher come up with two potential models on how *wakālah* contract can be applied in this BNPL structure.

The first method, by appointing the BNPL provider as an agent (*wakīl*) on behalf of the customer to purchase goods. In this arrangement, the customer authorises the BNPL provider to acquire the desired item on their behalf. The provider, acting as an agent, purchases the item using its own funds and subsequently sells it to the customer on a deferred payment basis, using the *bay' bi-thaman ājil* structure. The profit margin is disclosed upfront; no interest and penalty fees are imposed to avoid the prohibited elements such as *ribā* and *gharār*. This structure can achieve a sharī'ah compliant BNPL framework as the agency role is clearly defined in this *wakālah* contract. It also involves a genuine trade transaction rather than a loan accompanied with additional fee and charges.

⁹⁴ Wahbah al-Zuhaylī, *Al-Fiqh al-Islāmī wa Adillatuh*, vol. 5 (Damascus: Dār al-Fikr, 1985), 3440–3445.

⁹⁵ Ibn Manzūr, *Lisān al-‘Arab* (Cairo: Dār Ṣādir), root “wakala.”

⁹⁶ AAOIFI, *Shariah Standard No. 23: Agency and the Acts of an Agent* (Manama: AAOIFI, 2017)

⁹⁷ Muṣṭafā Aḥmad al-Zarqā, *Al-Madkhal al-Fiqhī al-‘Āmm*, vol. 2 (Damascus: Dār al-Qalam, 1998), 1050–1052.

⁹⁸ Wahbah al-Zuhaylī, *Al-Fiqh al-Islāmī wa Adillatuh*, vol. 5, 3451.

⁹⁹ AAOIFI, *Shariah Standard No. 23*, para. 5/1.

¹⁰⁰ Al-Kāsānī, *Badā’i ‘al-Ṣanā’i ‘fī Tartīb al-Sharā’i*, vol. 6 (Beirut: Dār al-Kutub al-‘Ilmiyyah, 1986), 26–27.

The second method is, by appointing the BNPL provider as *wakīl* on behalf of the merchant. In this arrangement, the BNPL provider is appointed by the merchant to collect the payment from the customer. Similar to the first method, the merchant sells the good using *bay' bi-thaman ājil*, without interest and late penalty fees with a disclosed profit margin. The customer pays the original price of the item in Instalments to the provider as the agent of merchant. Then the BNPL provider get a fix agency fee from the merchant for their agency service. To simplify, the merchant is the one doing the selling directly to the customer. The BNPL provider just helps to collect the payment from the customer in Instalments, acting as an agent (*wakīl*) for the merchant.

This method also can avoid *ribā* since the BNPL provider is only act as the payment collector to the merchant and not gaining any fees or benefit from the customer. They act as a paid agent and not a lender like we have mention earlier in the *Qard* section. It avoids *ribā* because there is no loan involved and also avoiding the element of *gharār* (ambiguity) because everything is clear, every party involved has their role (merchant as seller, customer as buyer and BNPL provider as agent), the goods belong to the merchant, there is no hidden cost or unknown penalty, and everyone knows the terms and condition relating to this contract.

Thus, the researcher opined that *wakālah* contract offers a practical structure in achieving sharī'ah Compliant BNPL. However, precaution must be taken to ensure that the *wakīl* does not impose hidden charges resembling interest, and that the agent does not bear liabilities inconsistent with the *wakālah* framework, which could transform the contract into one of *kafālah* or *ḍamān*. From these scenarios, we can acknowledge the effectiveness of *wakālah* application in BNPL models. This illustrates how Islamic legal mechanisms can accommodate modern financial innovations while preserving the foundational prohibitions of the sharī'ah.

7) Kafālah (Guarantee)

Kafālah in Islamic finance refers to an agreement where one party assumes responsibility for fulfilling the obligation of another. In other words, *kafālah* is a contract in which the guarantor (*kāfil* or *ḍāmin*) provides assurance on the fulfilment of the guaranteed party (*maḳful 'anhu*) obligation and liability. Linguistically, according to Ḥanafī and Ḥanbalī schools, the term *kafālah* carries the meanings of joining (*ḍamm*) and while according Shāfi'ī it means commitment (*iltizām*). However terminologically, the four major schools of Islamic law differ slightly in how they define *kafālah*. According to the Mālikī, Shāfi'ī, and Ḥanbalī schools, *Kafālah* is defined as joining the guarantor's liability (*dhimmah*) to the liability of the person

being guaranteed in commitment to a right which is debt. In this case, the debt is considered liabilities for both¹⁰¹. Meanwhile according to Ḥanafī school, *kafālah* means joining one liability (guarantor) to another (guaranteed) only when it is demanded. This means the guarantor is responsible if demanded, but the debt is not actually recorded under the guarantor's name, and the original debtor still holds the debt.

Kafālah can be categorise into several types. As outlined in contemporary Islamic finance¹⁰², it is mainly divided into two broad categories: *kafālah bi al-māl* and *kafālah bi al-nafs*. *Kafālah bi al-māl* refers to financial guarantees, and it includes three sub-types: *kafālah bi al-dayn* (guarantee of debt repayment), *kafālah bi al-‘ayn* or *kafālah bi al-taslīm* (guarantee for the delivery of specific items), and *kafālah bi al-darak* (guarantee that the asset being sold is free from defects or third-party claims). *Kafālah bi al-dayn* is the one that Muslim jurists consider as Ḍamān that usually refers to financial liability, particularly guarantee for debt as mentioned before. These forms under the *Kafālah bi al-māl* are commonly used in Islamic finance, particularly in facilitating credit or ensuring compliance in contractual agreements. On the other hand, *kafālah bi al-nafs* means guaranteeing a person's appearance before a court or authority and does not require the guarantor to settle any financial obligations.

Kafālah also considered as one of the security contracts (*‘uqūd al-tawthīqāt*) and principles which serve as security to protect the rights of the contracting parties, especially the creditor who has financial claim to the debtor. The other contracts that also can be considered as *‘uqūd al-tawthīqāt* is *rahn* and *‘urbūn*.

In the context of BNPL, *Kafālah bi al-dayn* or Ḍamān is the most suitable to be applied as they are the only one *kafālah* that related to financial liability. Ḍamān is where one party (*dāmin*) assumes responsibility for the debt obligation of another party (*maḍmūn lahu*) to a third party (*maḍmūn ‘anhu*). To adapt Ḍamān in BNPL structure, it requires careful consideration of both classical principles and contemporary financial realities.

Before the transaction is taking place, we need to consider the structural positions. The BNPL provider need to act as *dāmin* (guarantor) who assumes responsibility for the customer's payment obligation to the merchant. The customer function as the *maḍmūn lahu* (guaranteed party) while the merchant serves as the *maḍmūn ‘anhu* (creditor). This triangular relationship forms the foundation of the entire transaction.

¹⁰¹ Wahbah bin Mustafa al-Zuhaili, *Al-Fiqh al-Islami Wa Adillatuhu*, 6:4143.

¹⁰² Marjan Muhammad and Mezbah Uddin Ahmed, *Islamic Financial System: Principles & Operations (3rd Edition)*, 318.

How BNPL being applied? Firstly, the transaction will be taking place with the Customer selection and application of the good. For example, the customer selects to buy laptop from one merchant and choose to pay with BNPL features (need to be approved beforehand when applying to use BNPL features). Secondly, when the customer selects BNPL method to pay, they have agreed that the BNPL provider will act as guarantor (*ḍāmīn*), the customer will be the guaranteed party (*maḍmūn lahu*) and the merchant will be creditor (*maḍmūn 'anhu*). Then the customer also agreed to pay using BNPL method where they can choose to pay buy a lump sum (full payment) by next month or paying by Instalments (*bay' al-Muajjal*) in the next 3 months. In this repayment, some of BNPL will have services fee as their *ujrah* for providing this type of payment.

However, one of the practical challenges in applying the *ḍamān* contract is its inapplicability before the debt is formally established. This restriction follows the opinion of the Shāfi'ī school, as outlined by Taqī al-Dīn al-Ḥuṣnī in his kitab.¹⁰³ In contrast, other schools such as Hanafi, Māliki and Hanbali permit the execution of a *ḍamān* contract even before the debt takes legal effect, as supported by the view of Ibn al-Humām in his writings.¹⁰⁴ Most of financial institution in Malaysia has inclined to this opinion, as Central Bank of Malaysia (Bank Negara Malaysia) have stated in their report, the subject matter of *kafālah* (which includes *Ḍamān bi al-māl*) may involve a debt that is already binding (*dayn lāzim*) or one that will become binding in the future (*mā ya'ūl ilā luzūm*).¹⁰⁵

Hence, the researcher concludes that, based on prevailing sharī'ah interpretations and regulatory guidance in Malaysia, *kafālah bi al-dayn (ḍamān)* is applicable to BNPL models. Malaysian financial practice, supported by Bank Negara Malaysia, recognises the permissibility of guarantees for obligations that are expected to arise in the future. This approach aligns with the operational structure of BNPL arrangements, where the debt becomes binding only after the underlying transaction takes place.

¹⁰³ Taqī al-Dīn al-Ḥuṣnī, *Kifāyat al-Akhyār fī Hall Ghāyat al-Ikhtisār*, 1st edition (Dār al-Khayr, 1994), 265.

¹⁰⁴ Muḥammad ibn 'Abd al-Wāḥid Ibn al-Humām, *Sharḥ Faṭḥ al-Qadīr 'alā al-Hidāyah* (Maktabat Muṣṭafā al-Bābī al-Ḥalabī wa-Awlāduh, 1970), 7:181.

¹⁰⁵ Bank Negara Malaysia – Islamic Banking and Takaful Department, *Kafalah (Sharī'ah Requirements and Optional Practises): Exposure Draft* (Kuala Lumpur: Bank Negara Malaysia, December 6, 2013), 9, para. G10.2, https://www.bnm.gov.my/documents/20124/761700/05_Kafalah.pdf/adc41a30-edc4-4ea86-11a4-e05d6a80d9ba?t=1579764430270. This Exposure Draft was later finalised into a policy document effective 1 January 2018.

8) *Hawālah* (Transfer of Debt)

Hawālah linguistically is derived from the word *tahwīl* which means “change” or “transfer”. It can also carry the meaning of shifting from one place to another. Meanwhile terminologically, *Hawālah* refers to an assignment of debt from the liability of the original debtor to the liability of a third person so that the original debtor becomes free of liability. According to sharī‘ah Standard No. 7 AAOIFI, *Hawālah* means transfer of a debt liability from the transferor to the payer¹⁰⁶. Meanwhile according to Ḥanafis as reported by al-Zuhaili said in his writings¹⁰⁷, *hawālah* as transfer of the *dhimmah* (liability) of the debtor to another person. This differs from *kafālah* contract that we discussed earlier where the guarantor joins the obligation of debtor’s *dhimmah* and not replacing him, while in *hawālah* the debtor is no longer having the *dhimmah* because it has been fully transferred to a new person. The creditor can no longer claim the debt from the original debtor since the claim should be made against the new debtor.

According to AAOIFI sharī‘ah Standards also¹⁰⁸, *Hawālah* has two types, *hawālat al-ḥaqq* (transfer of right) and *hawālat al-dayn* (transfer of debt). *Hawālat al-ḥaqq* is a replacement of a creditor with another creditor meanwhile *Hawālat al-dayn* is transfer of debt from the debtor (*muḥīl*) to another person (*muḥāl ‘alayh*). From the researcher observation, when the mentioned word is only *Hawālah*, usually it will refer to *hawālat al-dayn*.

Therefore, the researcher comes with the definition that *Hawālah* refers to a contract of transferring debt from one party to another, where the responsibility of payment is shifted from the original debtor (*muḥīl*) to another person as a new debtor (*muḥāl ‘alayh*), with the consent of the creditor (*muḥāl lah*). The original debtor is free from the obligation once the transfer is complete, provided all three parties agree.

In the context of BNPL applications, the researcher suggests that *hawālah* may appear relevant as a potential *takyīf fiqhi*, since the primary purpose of *hawālah* is to facilitate payment and debt recovery. Furthermore, the nature of *hawālah* that already had been recognised and legally practised within the Islamic finance industry making it a promising *‘akad* that can be apply in this sharī‘ah compliant BNPL model.

How to apply in BNPL? In order to use *hawālah* in BNPL models, first the customer needs to purchase goods from the merchant on deferred payment terms (*Bay al-Mu’ajjal*). After

¹⁰⁶ Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), *AAOIFI Shari’ah Standards* (AAOIFI, 2015), 176.

¹⁰⁷ Wahbah bin Mustafa al-Zuhaili, *Al-Fiqh al-Islami Wa Adillatuhu*, 6:4187.

¹⁰⁸ Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), *AAOIFI Shari’ah Standards*, 176.

the dhimmah is officially established on behalf customer, the customer then makes an agreement with BNPL provider to transfer the debt to them with the consent of the merchant. The original debtor (customer) acting as *muḥīl* (transferor), transferring their liability (*dhimmah*) to the new debtor (BNPL provider) as a *muḥāl ‘alayh* and the original creditor (merchant) is the *muḥāl* (transferee). This means that the merchant no longer can claims payment from the customer but instead transfers the claim to the BNPL provider. The BNPL provider then pays the merchant the full amount upfront. Finally, in the end of the process, the customer will repay the BNPL provider in instalments (*Bay‘ al-taqṣīt*) with a sharī‘ah-compliant service fee (*ujrah*).

Based on the structure above, it can be said that it is align with sharī‘ah principle since the debt (*dhimmah*) has already established before the *ḥawālah* happened. Second, all three parties also had mutually consent to the arrangement and lastly there is no hidden fees like interest or late payment charges, the only fees implemented is the fixed *ujrah* (service fee) and not percentage-based service fee. Thus, all this thing can help to protect this structure from *gharār* (uncertainty). and *maysīr*.

Moreover, this *ḥawālah* based BNPL model can offer benefits for all parties involved. For the merchant side, they will receive an immediate lump-sum payment from the BNPL provider, after the first transaction have been made by customer and merchant (*Bay‘ al-Muajjal*). This upfront settlement significantly improves the merchant’s cash flow, allowing them to reinvest in their products, covering operational expenses, and manage their business with a better financial stability. While for the customer, *ḥawālah* helps them in acquiring goods or services without the need to pay the full amount upfront. Instead, they repay the BNPL provider in manageable instalments and helping them reducing financial strain and promoting disciplined, interest-free spending. This makes the model particularly beneficial for lower-income groups or individuals that facing short-term cash constraints. The BNPL provider will get the benefit from the *ujrah* that they get after providing the services.

Hence, it can be said that the application of *ḥawālah* within BNPL models is not only theoretically relevant but also practically feasible provided that it is structured in line with sharī‘ah principles. The core requirement of *ḥawālah* that a debt must be clearly established prior to its transfer is being addressed through a deferred sale (*Bay‘ al-Mu’ajjal*) between the customer and merchant. With the mutual consent of all three parties, the customer (*muḥīl*), the merchant (*muḥāl*), and the BNPL provider (*muḥāl ‘alayh*), the debt is legally and ethically transferred. It also delivers mutual benefits: merchants gain immediate liquidity, customers enjoy flexible payments without falling into interest-bearing debt, and BNPL providers engage

in ethical, profit-generating activity. Therefore, with appropriate sharī‘ah guidelines, *Hawālah* can be applied in this BNPL model.

3.3 Contractual Relationship Between Parties in BNPL

BNPL operates through the interaction of three main parties: the customer, the merchant, and the BNPL provider. These parties form the essential structure that defines how BNPL functions. In order to comply with sharī‘ah, these contractual relationships require careful structuring to avoid prohibited elements such as *ribā* (interest) and *gharār* (uncertainty). An analysis of these contractual relationships is needed to help the understanding on how BNPL models work, whether they align with sharī‘ah principle or not. The following table depicts the relationships that can be observed from the most operational BNPL model outside from Malaysia.¹⁰⁹

Figure 7 Relationship between 3 parties in BNPL outside Malaysia¹¹⁰

| | Store | Buyer | BNPL Provider |
|---------------|--------------|--------------|----------------------|
| Merchant | - | Seller | Marketing Client |
| Customer | Buyer | - | Borrower |
| BNPL Provider | Marketer | Lender | - |

From the table, it can be understood that:

1. The relationship between the BNPL provider and the customer is that of a lender and borrower.
2. The BNPL provider acts as a facilitator between the customer and the merchant. In return for this service, the store typically pays the BNPL provider a commission. This commission is often structured as a discount on the purchase price that the BNPL provider settles upfront on the customer’s behalf.
3. The relationship between the merchant and the customer is that of a seller and buyer although the BNPL provider pays the cost of purchase to the store

The structure that mentioned above is how the BNPL models outside from Malaysia operated. Meanwhile BNPL in Malaysia have different approach in operating their BNPL models. The details are as follows:

¹⁰⁹ Khalid Al Muzaini, *Piecing Together the Sharia Compliance of BNPL* (Shariyah Review Bureau (Central Bank of Bahrain), 2024), 10.

¹¹⁰ Khalid Al Muzaini, *Piecing Together the Sharia Compliance of BNPL*, 10.

1) Contractual Relationship Between the Merchant (seller) and the Customer

Based on the researcher observation, the relationship between the merchant and the customer mainly involves *aqad bay'* (sale contract), which governs the deferred sale of goods or services. The customer agrees to purchase an item from the merchant, with *bay' al-muajjal* (sale of deferred payment) or *bay' al-taqṣīt* (instalment payments).

In most BNPL structures, the initial sale transaction occurs between the customer and the merchant. This relationship is typically governed by the contract of *bay' al-mu'ajjal*, or deferred sale. Under this contract, the customer purchases goods or services from the merchant with an agreement to delay payment, either as a lump sum or through Instalments. The ownership of the product transfers immediately to the customer, while the total payment is fixed and agreed upon upfront. This avoids any uncertainty (*gharār*) or interest (*ribā*) and ensures compliance with shari'ah.

2) Contractual Relationship Between the Merchant(seller) and the Deferred Payment Intermediary (BNPL provider)

The connection between the merchant and the BNPL provider can be formed through various contracts, depending on who delivers the item and who receives payment. A commonly applied structure is *Murābahah*, where the BNPL provider purchases the goods from the merchant, assumes ownership, and later sells them to the customer at a disclosed profit margin. This ensures that the provider is not acting as a lender, but as a trader engaging in permissible profit-based transactions. The profit must be agreed upon at the outset, and the transaction must not include any hidden or interest-based fees.

Another alternative is to use *wakālah*, where the BNPL provider acts as the agent (*wakīl*) of the merchant to collect Instalment payments from the customer. In this setup, the merchant remains the seller, while the BNPL provider facilitates the payment process in return for a fixed fee. Since no fees are charged to the customer and the provider does not take ownership of the product, this arrangement avoids any elements of *ribā* or excessive uncertainty.

In some models, the BNPL provider offers a *Kafālah or Ḍamān* arrangement, guaranteeing that the merchant will receive payment even if the customer defaults. This shifts the risk to the BNPL provider, allowing the merchant to deliver the goods without concern for credit risk. Additionally, *Ḥawālah* may be used if the merchant formally transfers the customer's debt to the BNPL provider after the initial sale. Upon transfer, the provider pays

the merchant in full and assumes the role of creditor, to whom the customer will later repay the amount.

3) Contractual Relationship Between the Customer and the Deferred Payment

Intermediary (BNPL provider)

The customer's obligation to the BNPL provider can be structured using different contracts based on how ownership and payment terms are arranged. One of the most widely accepted methods is *murābahah*, where the provider purchases the item and sells it to the customer with a markup. The markup is disclosed, and the total price is fixed from the outset. The customer gains ownership of the item immediately and repays the provider in fixed Instalments without any interest or late charges.

Another suitable approach is *ijārah muntahiyah bi al-tamlik* (lease to own), where the BNPL provider retains ownership of the item during the Instalment period. The customer pays rent-like Instalments, and ownership is transferred at the end of the contract through a sale or gift. This structure is suitable for high-value goods and complies with sharī'ah as long as terms are clear and no hidden charges are involved.

In cases where the provider acts on behalf of the customer, the *wakālah* contract can be applied. Here, the customer appoints the BNPL provider to purchase the desired item using the provider's own funds. After the purchase, the item is sold to the customer on a deferred payment basis, often using *bay' bi thaman ājil*. This turns the transaction into a form of agency followed by trade, rather than a loan.

In some structures, the customer's debt to the merchant is transferred to the BNPL provider using *hawālah*. The provider pays the merchant, and the customer repays the provider in fixed Instalments. Since this structure only applies after the debt is established and does not involve interest or percentage-based fees, it remains within the bounds of sharī'ah. lastly, although *qard* (interest-free loan) is theoretically allowed, it is unsuitable for commercial BNPL platforms. Qard contracts prohibit any form of gain or fee, which makes them financially impractical unless the BNPL provider operates on a charitable basis.

3.4 Comparative Discussion of BNPL Contracts

In developing a sharī'ah-compliant model for Buy Now, Pay Later (BNPL) services, it is important to compare the relevant Islamic financial contracts not only based on their theoretical permissibility but also on how practical they are for modern commercial use. This comparative discussion brings together the findings from earlier analyses and provides a structured

evaluation of each contract's suitability. The researcher will classify the contracts into three categories: (A) those that can be applied directly, (B) those that require structural adjustments, and (C) those that are unsuitable under current commercial practises.

A. Contracts That Can Be Applied Directly

Bay' al-mu'ajjal and *murābahah* are considered the most appropriate for structuring BNPL services. Both contracts involve real sales and allow for payment to be delayed without involving interest. In *bay' al-mu'ajjal*, the sale price is fixed and known from the beginning, and payment is made later. This is similar to how most BNPL services operate, where the customer receives the item immediately but pays overtime. As long as the BNPL provider does not charge late fees or additional costs that resemble interest, this model aligns with sharī'ah. *Murābahah*, on the other hand, requires the seller (in this case, the BNPL provider) to buy the item first, disclose the original price, and add a profit margin before selling it to the customer. This makes the transaction transparent. *Murābahah* is already widely used in Islamic banks and finance institutions to sell cars, homes, and goods through Instalment plans. Therefore, it has strong backing from both theory and practise. However, it also requires more steps than *bay' al-mu'ajjal*, such as the BNPL provider taking ownership of the goods before selling them, which may make the process more complex.

Wakālah provides a flexible approach by allowing the BNPL provider to act as an agent. This can be done in two ways: either the BNPL provider acts as an agent on behalf of the customer, buying the item and then selling it back on deferred terms, or the provider acts on behalf of the merchant and helps collect payments from the customer in return for a fixed fee. In both models, the BNPL provider does not act as a lender, which helps avoid interest-based elements. This structure is clear, avoids ambiguity, and provides a genuine service in exchange for a known fee. It also works well in today's market and can be adjusted to different situations.

Hawālah, which is the transfer of debt, can also fit within a sharī'ah-compliant BNPL model. In this model, the customer first owes money to the merchant, and then this debt is legally transferred to the BNPL provider. The provider pays the merchant upfront and then collects payment from the customer in Instalments. As long as the original debt exists before the transfer and all three parties (customer, merchant, and BNPL provider) agree, the process is valid. This contract is useful because it allows the merchant to receive full payment quickly, while the customer gets more time to pay without dealing with interest. The BNPL provider can charge a fixed service fee for offering this payment flexibility. However, it is important that the service fee is not linked to the repayment period or outstanding amount to avoid *ribā*.

Kafālah, or guarantee, is another contract that could support BNPL structures. In this setup, the BNPL provider guarantees the customer's payment to the merchant. If the customer does not pay, the provider steps in. This contract does not involve a direct sale or loan, and the provider is only held responsible if the customer fails to pay. Some Islamic schools, especially the Shāfi'īs, argue that a guarantee can only be issued once the debt is already confirmed. However, other schools, like the Ḥanafīs, allow a guarantee even before the debt becomes binding. Malaysia's regulatory framework supports the more flexible view, so applying *kafālah* in BNPL models is considered acceptable here. *Kafālah* helps build trust and provides the merchant with security that payment will be made.

B. Contracts That Require Structural Adjustments

Ijārah, particularly the version that ends in ownership (*ijārah muntahiyah bi al-tamlīk*), is also allowed in Islamic finance. It works by letting the customer use the item for a fixed rental period, and at the end, ownership is transferred to the customer. In theory, a BNPL model could adopt this form by allowing the customer to "rent" the item during the payment period and own it only after the final Instalment. However, in most current BNPL setups, ownership is given immediately. Changing this would require modifying the basic structure of BNPL services, which could make it less appealing for everyday use, especially for lower-cost items.

C. Contracts That Are Not Suitable for Commercial BNPL

Bay' al-dayn is a little bit controversial. Even though the sale of debt to the debtor on a spot basis is permissible, other common forms such as selling debt to third parties or on credit terms are not accepted by the majority of scholars due to concerns over *ribā* and *gharār*. These forms are more likely to occur in a commercial BNPL setting, making *bay' al-dayn* an unsuitable basis. This contract involves selling a debt, and while there are different types, only one version which is selling the debt back to the debtor for cash on the spot is accepted by most scholars. The other types, like selling debt to third parties or on credit, are generally not accepted because they involve risk, uncertainty, and sometimes *ribā*. For this reason, *Bay' al-dayn* is difficult to apply in most BNPL structures. It might only work in very specific cases, and even then, it would require strong controls to avoid shari'ah violations.

Qard, or loan, is the least compatible with commercial BNPL services. In Islam, loans must be returned exactly as they were given, without any increase. This includes money, goods, or anything else of value. The moment a lender adds a condition to receive more than they gave, it becomes *ribā*. BNPL providers normally charge fees and penalties, which go against

the rules of *qard*. Unless the BNPL service is provided as a purely charitable or non-profit initiative, *qard* cannot be used. It is only suitable in limited cases, like community-based support or small-scale personal lending.

In summary, among the various Islamic financial contracts evaluated, *bay' al-mu'ajjal*, *murābahah*, *wakālah*, *hawālah*, and *kafālah* are the most potential *takyīf fihi* that can be apply for structuring sharī'ah-compliant BNPL services, as they offer clear legal foundations and can be implemented without major structural changes. *Ijārah* may be used but requires modifying the BNPL model to delay ownership transfer, which may not align with current consumer practises. On the other hand, *bay' al-dayn* and *qard* are generally unsuitable in commercial settings due to widespread juristic restrictions and the prohibition of additional charges, making them impractical unless used in non-profit or strictly regulated environments.

3.5 Conclusion

A central sharī'ah concern in BNPL services lies in the treatment of late payment charges. In conventional finance, such charges are often deemed a form of *ribā*, as they involve imposing an additional sum on the debtor solely due to delay in repayment. Since *ribā* is strictly prohibited in sharī'ah for its exploitative nature, late payment fees are generally impermissible unless designed in a non-profitable manner.

sharī'ah-compliant financial institutions address this by applying only nominal charges to cover genuine administrative costs, avoiding any mechanism that generates revenue from consumer default. For BNPL models, two approaches may support compliance:

1. **Administrative charges** – applying a fixed, minimal fee strictly tied to actual administrative expenses, without variation according to the duration of delay.
2. **Non-monetary measures** – adopting deterrents such as temporary suspension of BNPL privileges instead of financial penalties.

These mechanisms ensure that BNPL providers discourage delinquency while avoiding *ribā*, thereby aligning the service with sharī'ah principles of fairness and non-exploitation.

CHAPTER FOUR

SHOPEE PAY LATER AND LAZADA PAY LATER: A COMPARATIVE ANALYSIS

4.1 Introduction

This chapter provides a detailed analysis of two BNPL models embedded within Malaysia's leading e-commerce platforms, Shopee Pay Later (SPayLater) and Lazada Pay Later (LazPayLater). The analysis includes customer eligibility, onboarding and credit assessment processes, transaction and credit limits, Instalment options, fees and charges, default handling procedures, and refund and return issues. These components are important to understand how BNPL services function in practise and how they may raise concerns from a shari'ah compliance perspective.

BNPL has become an increasingly visible feature in the Malaysian consumer market. As of December 2024, 12 companies were officially offering BNPL services in Malaysia¹¹¹, indicating strong interest from both consumers and providers. Amid this growth, Shopee and Lazada stand out due to their dominant positions in the e-commerce sector and the scale of their BNPL offerings. Their platforms provide a valuable case study to understand how embedded financing operates in real time and at scale.

Shopee and Lazada, as two of the most dominant e-commerce platforms in Southeast Asia, have adopted BNPL features as part of their digital financial services strategy. Both SPayLater and LazPayLater offer consumers the ability to purchase items immediately and repay over time, without requiring access to traditional banking products such as credit cards or personal loans. While these services share certain functional similarities, they diverge in terms of their credit assessment processes, repayment structures, operational models, and potential shari'ah implications.

This chapter, therefore, aims to provide a comprehensive overview of the features and operational mechanisms of SPayLater and LazPayLater. The discussion is organised around key technical and procedural elements, including customer eligibility, implementation procedures, credit and transaction limits, payment methods and instruments, applicable fees

¹¹¹ Tham Yek Lee, "Buy Now, Pay Later' Transactions Hit RM7.1b in 2H2024, Says Amir Hamzah," *The Edge Malaysia*, March 11, 2025, <https://theedgemaalaysia.com/node/747490>.

and charges, management of default scenarios, and refund or return protocols. The insights gathered here will inform the comparative shari'ah analysis to be conducted in the subsequent chapter.

4.2 Introduction to Shopee Pay Later and its Features and Operations

Shopee officially introduced the SPayLater feature to Malaysian users on 18th January 2021. It is a deferred payment facility provided by SeaMoney Capital Malaysia Sdn Bhd¹¹². It is a subsidiary of Sea Limited; a leading global consumer internet company headquartered in Singapore with operations across Southeast Asia. SPayLater is fully embedded within the Shopee mobile application and is accessible to users who meet specific eligibility requirements as determined by Shopee's internal risk assessment mechanisms. Unlike traditional financial institutions, which typically rely on external credit bureaus for credit evaluation, Shopee utilises proprietary user data such as purchase frequency, transaction history, and previous repayment behaviour to determine creditworthiness.

Once approved, users are allocated a credit limit that can be utilised for purchases on the Shopee platform. Payment can be made through Instalment options that generally range from one to six months, with the applicable tenure made visible at the point of checkout. Interest rates and administrative fees may be applied depending on the duration of the Instalment and user compliance with payment timelines. Shopee does not require guarantors for SPayLater, making it more accessible to unbanked and underbanked users who may face difficulties obtaining traditional credit such as credit card or bank loans.

The establishment of SPayLater serves as a strategic component of Shopee's broader ecosystem. They aim to increase transaction volume from the customer, enhance customer loyalty, and provide financial access to a segment of consumers who may not qualify for conventional banking products. Its design aligns with the embedded finance model, wherein credit services are seamlessly integrated into non-financial platforms to improve user experience. In this subchapter, the researcher will explore the specific operational characteristics of SPayLater in detail including customer's eligibility, consumer interaction, credit limit, transaction limit, Payment method, payment instrument, fees and charges, default case, and lastly, refund and return policy.

¹¹² Shopee, "SPayLater Terms of Service," *Shopee MY Help Centre*, May 8, 2025, <https://help.shopee.com.my/portal/4/article/77231-SPayLater-Terms-of-Service>.

4.2.1 Customer's Eligibility

For the customer's eligibility, Shopee have determined that users who want to active SPayLater account must be a Malaysian citizen who are between 18 to 65 years of age. Additionally, they also required to possess a valid identification document, which can be either a MyKad, MyPR, or MyTentera. These requirements are needed to ensure that the users meet the legal and residency standards necessary for engaging in financial agreements within the country. The age restriction is made to comply with legal regulations regarding contractual capacity, ensuring that users are adults capable of entering into binding agreements. According to section 2 of the Age of Majority Act 1971 (AMA 1971)¹¹³, an individual attains the age of majority at eighteen years old. This statement further supported by the Contract Act 1950¹¹⁴, in section 11 regarding who are competent to contract. It stated that only individuals who have reached the age of majority, possess sound mental capacity, and are not legally disqualified may enter into binding contracts. These provisions establish the legal basis for minimum age and capacity in contractual agreements. Hence, the requirement of the age between 18 to 65 years of age and holding a valid identification document (MyKad/MyPR/MyTentera) are valid and consistent with Malaysian legal standards. These conditions help to verify both legal capacity and national residency status before permitting access to financial services.

Meanwhile for the customer that still not reaching the minimum age of eighteen, they need to get permission from the parents or the guardian to open an account or active the SPayLater service. The parent or the guardian also needs to agree to the SPayLater terms of service in order for the underage user to use SPayLater features. The table show the summary of the SPayLater customer's eligibility.

Table 6 Summarise of the SPayLater customers eligibility

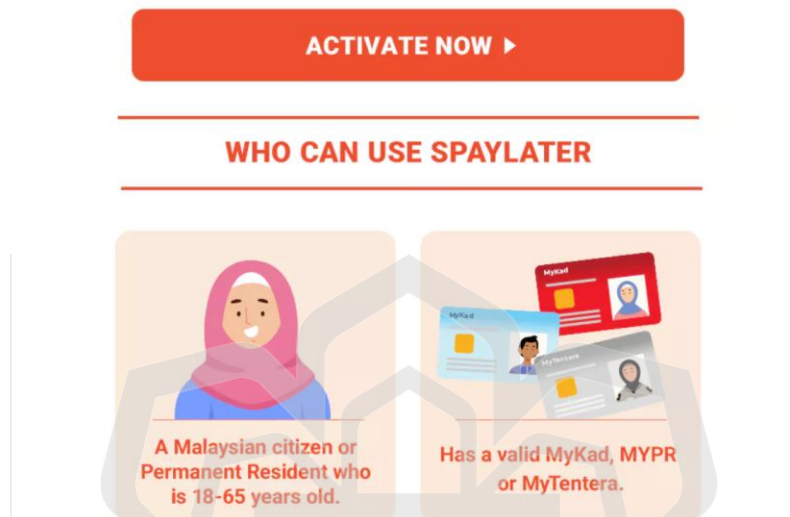
| Eligibility Criteria | Details |
|-----------------------------|--------------------------------|
| Citizenship | Malaysia citizen |
| Age | 18 – 65 years old |
| Identification | Valid MyKad / MyPR / MyTentera |

¹¹³ *Age of Majority Act 1971*, Laws of Malaysia Act 21, s. 2.

¹¹⁴ *Contracts Act 1950*, Laws of Malaysia Act 136, s. 11.

If the users have met these criteria but still cannot access SPayLater, they are advised to contact Shopee support for assistance, with channels available at the bottom of the help centre pages.

Figure 8 Snapshot of SPayLaterWebsite on Customer’s Eligibility



4.2.2 Account activation

Upon receipt of an application, Shopee and Monee may conduct a series of checks to evaluate the applicant’s eligibility. As the due diligence process mentioned in SPayLater Terms of Service¹¹⁵ (Clause 5.1):

1. Users are required to provide personal information such as name, identification card number, mailing address, contact details, payslips, and bank account statements.
2. Shopee may engage relevant authorities, private entities, or individuals to carry out credit checks in accordance with the Credit Reporting Agencies Act 2010 and the Central Credit Reference Information System (CCRIS).
3. Users must consent (and ensure their related parties also consent, if applicable) to allow Shopee or appointed credit reporting agencies to process their data for underwriting, compliance, identity, background, and risk assessments.
4. Information about the user’s account conduct may also be shared with credit rating agencies, who may redistribute this data to other subscribers of their services.
5. By agreeing to the terms or using SPayLater, users are deemed to have consented to Shopee’s collection, use, disclosure, and processing of personal data as outlined in Monee’s Privacy Policy (Clause 5.2).

¹¹⁵ Shopee, “SPayLater Terms of Service.” *Shopee MY Help Centre*.

The following outlines is the step-by-step procedure for SPayLater account activation based on the SPayLater websites¹¹⁶:

Step 1: Accessing SPayLater Feature

Users are required to navigate to the “Me” tab located at the bottom menu of the Shopee application. Within this section, the user must select the “SPayLater” option to initiate the activation process.

Step 2: Initiating the Activation Process

Upon selecting SPayLater, the user is prompted to click the “Activate Now” button. This action signifies the user’s intent to register for the SPayLater service.

Step 3: One-Time Password (OTP) Verification

A One-Time Password (OTP) will be sent to the mobile phone number registered with the Shopee account. The user must accurately input this OTP to proceed, serving as the first layer of identity verification.

Step 4: Identity Document Submission

The user is required to upload a valid image of their MyKad (for Malaysians) or MyPR (for permanent residents). The submission must be clear and meet the system’s image requirements to ensure successful document authentication.

Step 5: Biometric Facial Verification

The user is then subjected to a facial recognition process. This biometric verification cross-references the live image of the user with the previously submitted identity document, further strengthening the security of the activation process.

Step 6: Confirmation of Activation

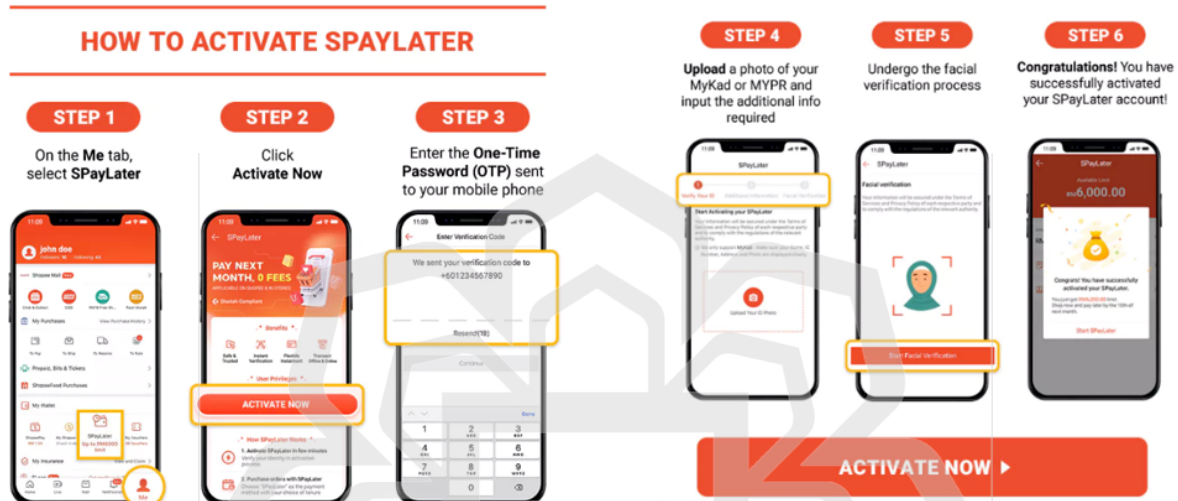
Upon successful completion of all verification stages, a confirmation screen will appear, indicating that the users SPayLater account has been successfully activated. This enables the

¹¹⁶ Shopee, “About SPayLater,” *Shopee MY Help Centre* (blog), 2025, <https://shopee.com.my/m/About-SPayLater?previousPage=other%20articles>.

user to begin utilising the Buy Now, Pay Later (BNPL) functionality within the Shopee platform.

This multistep activation framework reflects Shopee’s commitment to secure onboarding and regulatory compliance, aligning with digital identity standards and financial service guidelines.

Figure 9 Snapshot of SPayLaterWebsite on Account Activation



4.2.3 Credit Limit

SPayLater provides users with a flexible credit limit ranging from approximately RM200 to RM10,000. The initial limit varies among users, with some starting as low as RM200 while others may begin at RM2,000 or higher. The allocation is determined solely by Shopee through its internal risk assessment, which evaluates factors such as a user’s spending patterns and overall activity on the platform. Regular and higher-volume spenders are more likely to receive higher limits, whereas users with limited or irregular spending behaviour typically receive lower limits.

Credit limits may increase gradually over time if users demonstrate responsible financial behaviour, particularly by making timely repayments and using SPayLater consistently. Adjustments to the limit occur automatically within Shopee’s system, and users cannot directly request an increase. This system reflects Shopee’s internal credit management policies, which aim to balance consumer access with risk mitigation.

By linking credit limit adjustments to repayment history and spending discipline, Shopee promotes more responsible borrowing while protecting users from financial

overexposure. This approach also positions SPayLater as part of a broader effort to foster sustainable consumer credit practises in the digital financing ecosystem.

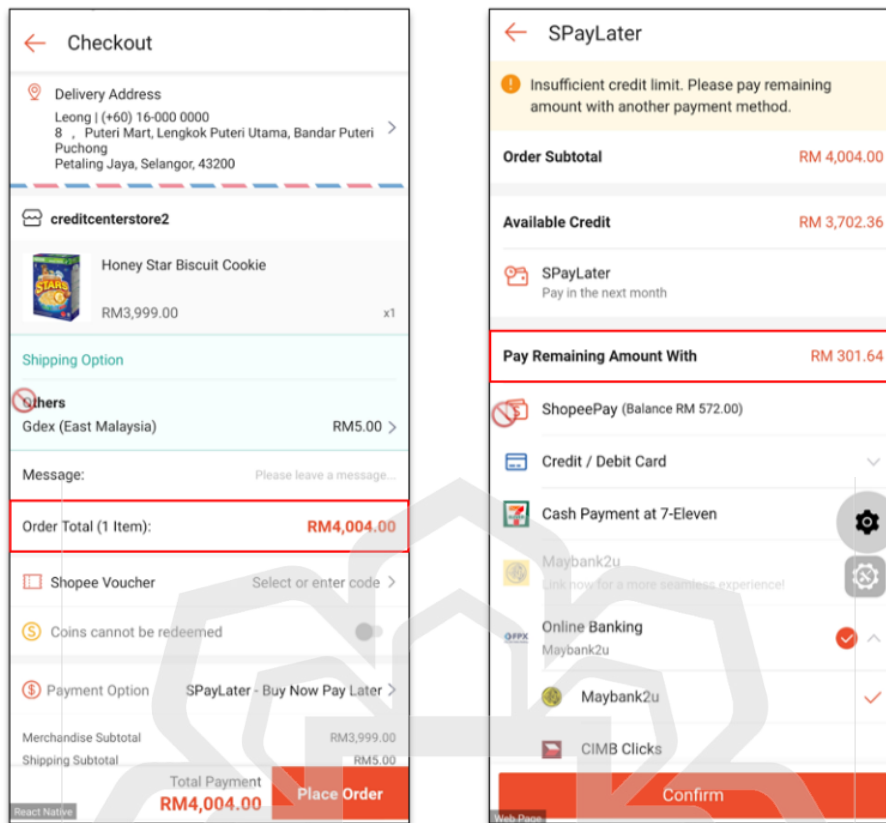
4.2.4 Transaction Limit

Shopee Malaysia applies different minimum transaction requirements for SPayLater based on the chosen instalment plan. For one-off payments and shorter tenures (1, 3, 6, or 12 months), purchases can begin from as low as RM1. This low threshold makes SPayLater accessible for small transactions and reflects Shopee's strategy of encouraging regular use, even for low-cost items.

However, for longer instalment plans like the 18-month and 24-month options, the minimum amount needed to be spent RM100. These longer plans are not available to everyone and are usually offered only to the selected users who meet certain credit requirements. The higher minimum for these plans helps Shopee to manage the risk of users not being able to repay over a longer time. It also ensures that the longer instalments are used for more expensive items, where extended repayment makes more sense and to avoid exploitation from the users with buying the cheap items but paid in a long-term instalment. Hence, by setting different limits based on the payment duration, Shopee can offer flexible financing to the users while still protecting itself from financial risk.

On a different occasion, if the total purchase exceeds the available SPayLater credit, the user can pay the remaining balance using another payment method, such as ShopeePay, Online Banking, Credit or Debit Card and Cash Payment at Convenience stores. No activation is required for this combined payment, as it will be available when SPayLater limit is not enough to purchase on the Shopee app.

Figure 10 Snapshot of SPayLater option if the item purchased exceeded the credit limit



From the snapshot, we can see the total item price is RM4,004. The user can opt to use SPayLater even though their credit limit is only RM3,702.36. Rather than rejecting the transaction, the system permits the user to pay the difference of RM301.64 using the alternative method such as ShopeePay, Online Banking, Credit or Debit Card and Cash Payment at Convenience store. This mechanism enhances the flexibility of the SPayLater feature by helping users to complete their high value transactions while still benefiting from BNPL service. This will also increase the demand in SPayLater service as they help the needed users to get their desired item on the amount that exceeded their SPayLater limit provided that they have increased the purchasing power for the user.

Table 7 Summarise of SPayLater Credit Limit and Transaction Limit

| Situation | Details |
|------------------------|-------------------------------------------------------------------------------|
| Maximum Credit Limit | RM10,000 |
| Typical Credit Range | Starting depends on users' history – RM10,000 |
| Transaction Limit | Minimum: RM1 for 3-12 months Instalment and RM100 for 18-24 months Instalment |
| | Maximum: Up to user's available SPayLater credit |
| Exceeding Limit Option | Pay balance with other payment methods |

4.2.5 Payment Plan and Billing Cycle

SPayLater offers two repayment options to users: the One-off Payment which they called BNPL and the Instalment Payment¹¹⁷. Under the One-off Payment method, users are required to settle the entire outstanding amount in a single payment by the due date specified in the Monthly Statement, normally next month. This method is suitable for users who prefer to avoid long-term commitments or who can manage full repayment promptly. For example, if the user buys the goods with the price of RM400 and chooses to pay with SPayLater One-off Payment, he is required to pay the full amount of the goods (RM400) next month.

Alternatively, if the users opted to choose the Instalment payment plan, they could select a preferred repayment duration from a list of available instalment plans displayed during the checkout process. They can choose either 3, 6, 12, 18 and 24-months Instalment depending on users' eligibility and merchants offering. The most common plan offered by the merchant consists of repayment by 3, 6 and 12 months. While the option of 18 and 24 months normally for selected users if they have a good, demonstrated creditworthiness and repayment behaviour. Once an instalment plan is selected and confirmed, the user is contractually bound to its terms, as well as any other conditions specified by Monee from time to time. The chosen plan requires users to make monthly payments in accordance with the amount and schedule specified in the Monthly Statement. If users pay more than the required monthly instalment, the excess amount will be automatically carried forward and applied to the next month's instalment. This situation is mentioned in SPayLater TOS 6.1¹¹⁸ "In the event any payment is made in excess of the instalment which is due, the Users acknowledge and agree that such excess shall be allocated for the next month's instalment."

¹¹⁷ Shopee, "SPayLater Terms of Service." *Shopee MY Help Centre*.

¹¹⁸ Shopee, "SPayLater Terms of Service." *Shopee MY Help Centre*.

Table 8 SPayLater tagging on their payment plan option

| Payment Plan Option | SPayLater tagging |
|---------------------|--------------------|
| 1 months | BNPL |
| 3 – 24 months | Monthly Instalment |

Figure 11 Snapshot of SPayLater structure

| Payment plan | Processing Fees | Late Fees |
|---------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1-month | 0% per month on total payment/order amount starting from 18 January 2024 | Your SPayLater account will be temporarily frozen until the outstanding amount has been paid. To reactivate the account, users will be charged a late fee of RM10 or bill principal, whichever is lower. |
| 3-month instalment | 1.5% per month on total payment/order amount | |
| 6-month instalment | | |
| 12-month instalment | | |
| 18-month instalment | | |
| 24-month instalment | | |

On the other hand, SPayLater also provides a monthly statement that corresponds with the users billing cycle in order to promote transparency in financial tracking. This statement will show every transaction made in the previous month and every upcoming bill that need to be paid by the users. This feature enhances repayment tracking by providing a consolidated view of outstanding obligations.

Figure 12 Example of SPayLater Paid Bill and Upcoming bill

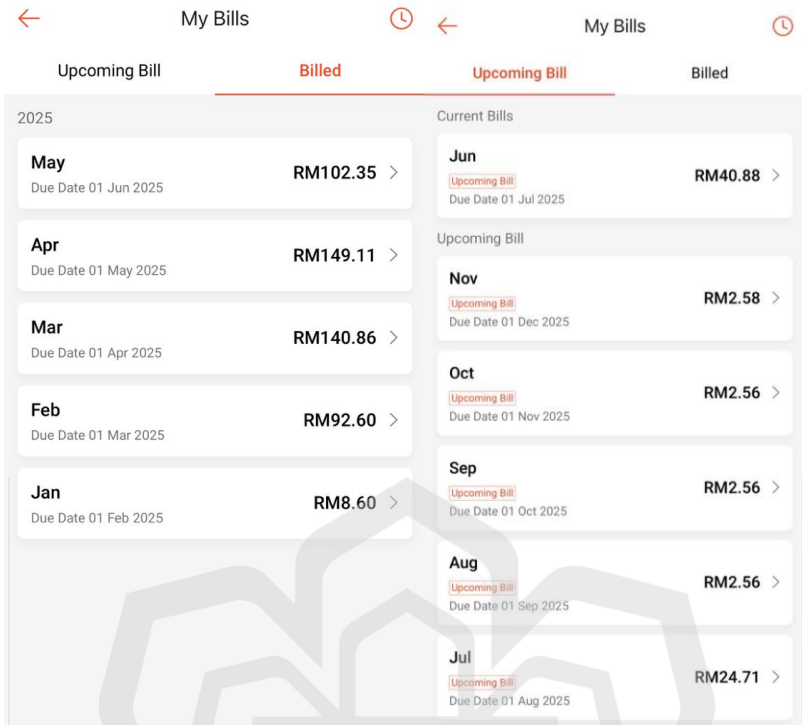


Figure 13 SPayLater options for users billing date

SPAYLATER PAYMENT SCHEDULE

| OPTION 1 | | OPTION 2 | | OPTION 3 | |
|--------------|----------|--------------|----------|--------------|----------|
| BILLING DATE | DUE DATE | BILLING DATE | DUE DATE | BILLING DATE | DUE DATE |
| 1 FEB | 10 FEB | 11 FEB | 20 FEB | 21 FEB | 1 MAR |
| 1 MAR | 10 MAR | 11 MAR | 20 MAR | 21 MAR | 1 APR |
| 1 APR | 10 APR | 11 APR | 20 APR | 21 APR | 1 MAY |
| 1 MAY | 10 MAY | 11 MAY | 20 MAY | 21 MAY | 1 JUN |
| 1 JUN | 10 JUN | 11 JUN | 20 JUN | 21 JUN | 1 JUL |
| 1 JUL | 10 JUL | 11 JUL | 20 JUL | 21 JUL | 1 AUG |
| 1 AUG | 10 AUG | 11 AUG | 20 AUG | 21 AUG | 1 SEP |
| 1 SEP | 10 SEP | 11 SEP | 20 SEP | 21 SEP | 1 OCT |
| 1 OCT | 10 OCT | 11 OCT | 20 OCT | 21 OCT | 1 NOV |
| 1 NOV | 10 NOV | 11 NOV | 20 NOV | 21 NOV | 1 DEC |
| 1 DEC | 10 DEC | 11 DEC | 20 DEC | 21 DEC | 1 JAN |

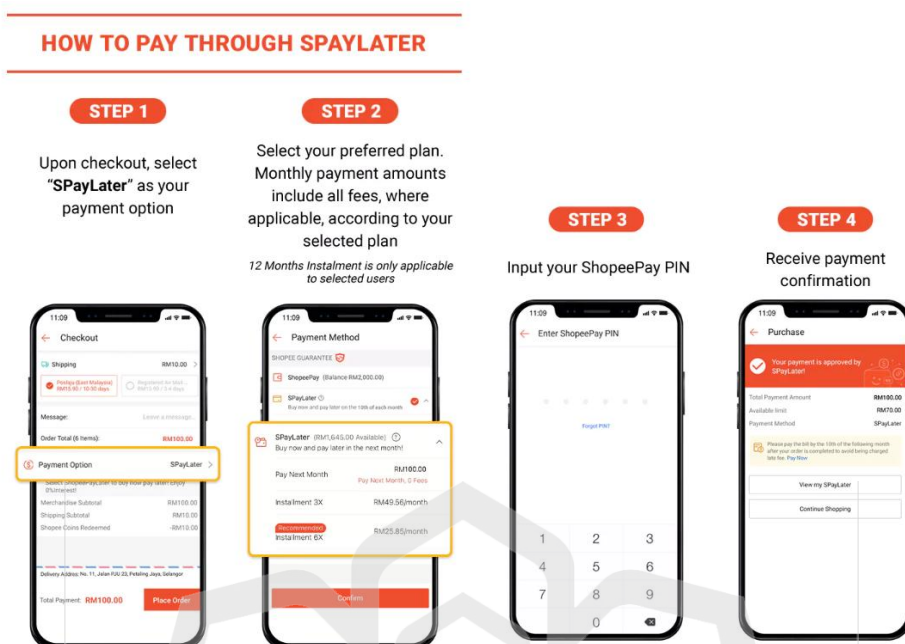
Based on the schedule above, Shopee offers three distinct billing cycle options for SPayLater repayments. Each option has a fixed billing date and a corresponding due date to help users manage their payments based on their preferred schedule.

The first option billing date falls on the 1st of each month, with a due date by the 10th. This gives users ten days to settle their bill from the start of the month. While the second option assigns the billing date on the 11th, and the due date on the 20th. This cycle may suit users who prefer receiving their bill in the middle of the month and making payment before the third week. Lastly, third option starts billing on the 21st of the month, with the due date falling on the 1st of the following month. This option gives users more flexibility by extending the payment period into the next month. Considering that most Malaysian salary payments occur after the third week of the month, it is likely that users prefer either the second or third billing cycle, as these align more closely with their income schedules and reduce the risk of delayed payments.

4.2.6 How to pay using SPayLater

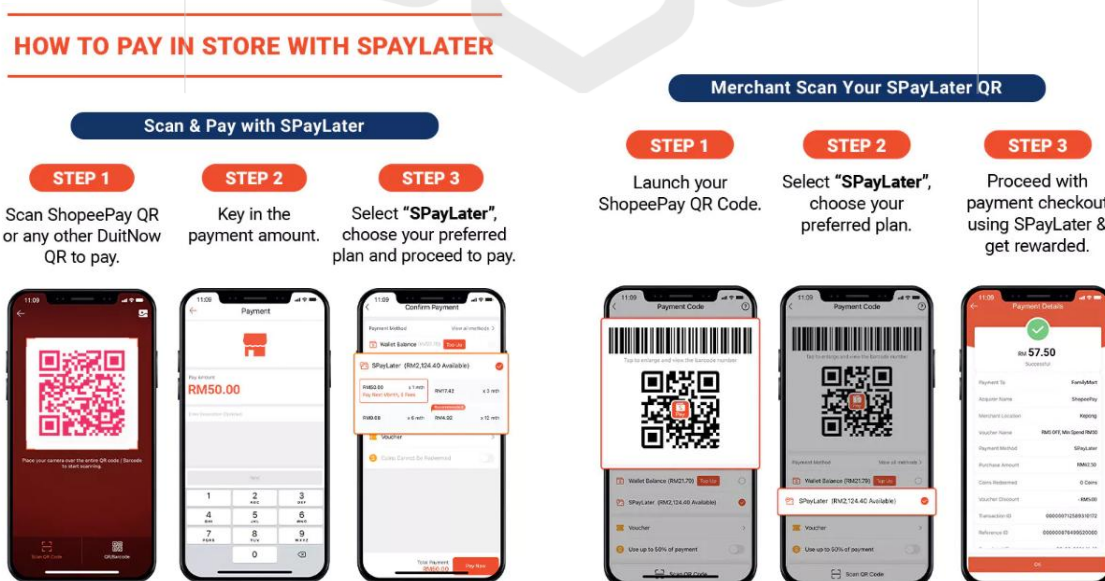
Based on SPayLater TOS 10.1, users have the choice to use SPayLater on multiple platforms. It was divided with two main ways, First on Shopee Platform and Second on store's checkout. SPayLater integrates into the checkout process, allowing users to select deferred payment options during purchase. This integration reflects the embedded finance model, which simplifies credit access within e-commerce platforms. At the payment stage, user must select their instalment plan whether to opt 'BNPL' for next month or instalment by 3, 6, 12, 18, or 24 months. Once the preferred plan is chosen, users are required to confirm the order and enter their ShopeePay PIN to authorise the transaction. Upon completion, the amount will be charged to the user's SPayLater account, and repayment will follow the selected schedule.

Figure 14 Using SPayLater within the app



SPayLater is also available for offline transactions. There are two modes for in-store payments. First, if the merchant provides a DuitNow QR code, the user can scan it via ShopeePay, key in the transaction amount, and select SPayLater as the payment method before confirming the instalment plan. Second, if the merchant scans the user's ShopeePay QR code, the user must first launch their QR code from the Shopee app, select SPayLater, and confirm the instalment plan before completing the transaction. Both modes support multiple instalment options and allow users to split the payment over time.

Figure 15 Using SPayLater at the store



Previously, SPayLater is only limited to online purchases, now it can be used at offline retail stores. Ultimately, SPayLater is now accepted at many physical retailers, including Caltex, Petron, BHP, KFC, myNEWS, Mr DIY, Hero Market, Giant, Health Lane, Ninso, CU, A&W, and 2CO. The extension of SPayLater to offline retail outlets reflects its strategic positioning as a short-term financing solution within Malaysia’s consumer credit landscape.

Figure 16 Some of physical retail stores that offering SPayLater



4.2.7 How to Repay SPayLater

To settle SPayLater bills, users must access the SPayLater section through the Shopee mobile application, located under the “Me” tab. Then, they may select the “Pay Bill” or “Pay Now” option and choose from the available payment methods either ShopeePay, online banking, cash payment at 7-Eleven outlets or even debit or credit card¹¹⁹. Once confirmed, the payment is processed, and users will receive a successful transaction notification. Finally, the credit limit will be updated within 24 hours following a successful transaction.

4.2.8 Processing fee

The Processing Fee in SPayLater refers to a charge applied for the use of Shopee’s instalment payment service. This fee is essentially the cost users pay for the convenience of spreading their payments over a set period, and it is functionally the same as what is called the Instalment Rate in Shopee’s Terms of Service. This fee is charged monthly, alongside the user’s SPayLater

¹¹⁹ Shopee, [SPayLater] How Do I Pay for SPayLater Bills?, n.d., accessed June 24, 2025, <https://help.shopee.com.my/portal/4/article/78367-%5BSPayLater%5D-How-do-I-pay-for-SPayLater-bills>.

instalment bill. The total amount of the processing fee depends on two factors: the duration of the instalment plan selected and the amount of the transaction. Hence, if the user chooses the monthly instalment option, they will bear the service fee or processing fee (up to 1.5% per month).

Table 9 Processing fees imposed based on repayment plan

| Repayment Plan | Monthly service fee | Total fees imposed |
|----------------|---------------------|--------------------|
| 1 Month | No charge | 0% |
| 3 Months | 1.5% per month | 4.5% |
| 6 Months | 1.5% per month | 9% |
| 12 Months | 1.5% per month | 18% |
| 18 Months | 1.5% per month | 27% |
| 24 Months | 1.5% per month | 36% |

For 3 months instalments, it will differ with other repayment plan options as there will be no processing fees (0%) specifically for Shopee marketplace platform. However, 3-months processing fees still applied to ShopeeFood, Insurance, Prepaid services, Bills & Tickets, and payments made outside the Shopee app (both in-store and online). Table 5 will show how to calculate processing fees imposed on every repayment plan option by SPayLater.

Table 10 Processing fees based on payment plans

| Payment Plan | 1 Month | 3 Month | 6 Month | 12 Month | 18 Month | 24 Month |
|---------------------------------------|----------------------------|------------------------|----------------------|-----------------------------|-----------------------------|------------------------|
| Monthly Processing Fee | No Charge | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| Total Processing Fee | No Charge | 1.5% X 3 = 4.5% | 1.5% X 6 = 9% | 1.5% X 12 = 18% | 1.5% X 18 = 27% | 1.5% X 24 = 36% |
| Example of transaction amount = RM100 | | | | | | |
| Total Processing Fee | No Charge | 4.5% x RM 100 = RM4.50 | 9% x RM 100 = RM9.00 | 18% x RM 100 = RM18.00 | 27% x RM 100 = RM27.00 | 36% x RM 100 = RM36.00 |
| Total Price Paid | RM100+ 0 = RM100.00 | | | RM100+ 18 = RM118.00 | RM100+ 27 = RM127.00 | |

| | | | | | | |
|---------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| (Transaction Amount + Processing Fee) | | RM100+ 4.50 = RM104.50 | RM100+ 9 = RM109.00 | | | RM100+ 36 = RM136.00 |
| Instalment per Month | RM100.00/ 1M = RM100 | RM104.50/ 3M = RM34.83 | RM109.00/ 6M = RM18.16 | RM118.00/ 12M = RM9.83 | RM127.00/ 18M = RM7.06 | RM136.00/ 24M = RM5.67 |

4.2.9 Late Payment Charges

The late payment charge in SPayLater refers to the penalty imposed when a user fails to pay their SPayLater bill by the due date. If this occurs, Monee (Shopee's BNPL provider) will freeze the user's SPayLater account until the outstanding amount is settled. The amount of the late payment charges is determined based on the value of the unpaid principal bill. If the users total outstanding principal is more than RM10, the late fee will be fixed at RM10. However, if the principal amount is less than RM10, the late payment charge will match the exact value of the principal bill. For example, if outstanding principal is RM9, the late charge will be RM9. Meanwhile if the outstanding balance to be paid is RM11, the late payment charge will be capped at RM10.

This structure ensures that the users with small balances are not overcharged. It is important to note that the late fee is a one-time charge and does not increase over time. However, the SPayLater account will remain frozen until the full amount (principal plus late fee) is repaid. Hence, the user is advised to adhere to their repayment schedules to avoid account suspension and additional charges.

Figure 17 SPayLater Late Payment Charges structure

| Scenario | Principal Amount | Late Charge |
|---------------------------|----------------------------------------------|----------------------------------------------------------------------------------|
| Order below RM10 | Principal Amount for first Instalment = RM9 | Late Charge = RM9 Since this amount is less than RM10, the late charge is RM9 |
| Order exceeds RM10 | Principal Amount for first Instalment = RM11 | Late Charge = RM10 Since this amount exceeded RM10, the late charge is RM10 |

4.2.10 Refund and Return

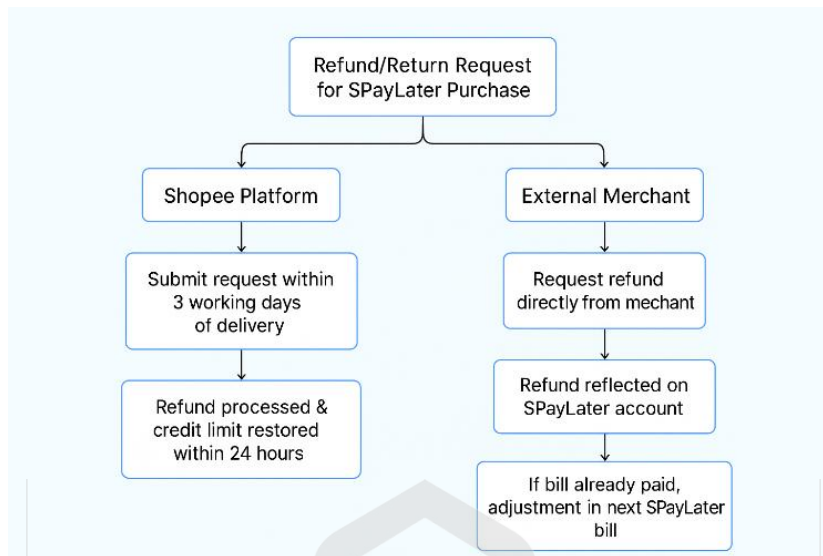
When a user requests a refund or returns for a purchase made through SPayLater, the process begins once the request has been reviewed and approved by the seller or Shopee's team. Once approved, the refund will be processed, and the user's SPayLater credit limit will be restored within 24 hours. It is important for users to submit refund or return requests within three (3) working days from the date the order is delivered to ensure eligibility and timely resolution.¹²⁰

For purchases involving only one seller, users may request a partial refund by selecting the specific item in the order that they wish to return. For example, if a buyer purchased Product A, Product B, and Product C from Seller X in a single order, they could choose to return only Product B while retaining the others. Similarly, for purchases involving multiple sellers, such as Product A and B from Seller X and Product C from Seller Y in the same order, users must specify the seller and the individual product they wish to refund. The refund process will then be handled on a per-seller basis, and only the relevant items and seller accounts will be affected.

In the case of SPayLater transactions made outside of the Shopee platform such as through offline merchants or merchant websites that support SPayLater, users must initiate the cancellation or refund directly with the respective merchant. Once the merchant confirms and processes the refund, the refunded amount will be reflected on the user's SPayLater account. However, if the user has already paid the SPayLater bill for the refunded transaction, the refund will not restore the credit limit immediately. Instead, the refunded amount will be reflected as an adjustment or deduction in the upcoming SPayLater bill. This ensures the credit balance is accurately reconciled, even if the refund occurs after a billing cycle has been completed. Users are advised to follow the appropriate refund channels depending on the nature of their purchase to ensure a smooth and transparent refund process.

¹²⁰ Shopee, *How Will My Refund Be Processed If I Used SPayLater?*, n.d., <https://help.shopee.com.my/portal/4/article/78601?previousPage=other%20articles>.

Figure 18 Summary of Return and Refund Spaylater



4.3 Introduction to Lazada Pay Later and its Features and Operations

Another leading e-commerce platform in Southeast Asia, Lazada also introduced their BNPL service named LazPayLater. It was introduced in November 2022, after the successful pilot programmes in Indonesia and the Philippines. In 2021, Lazada Philippines started their BNPL with CIMB Bank as their BNPL provider¹²¹. They initially started by integrating Lazada e wallet with BNPL feature. Meanwhile in Indonesia, their LazPayLater was backed by local multi-finance licence held by PT Lazada E-Services. These pilot programmes allowed Lazada to refine its internal credit assessment models by leveraging user purchase data, repayment behaviour, and national credit bureau insights, forming a robust groundwork for subsequent market entries.

In Malaysia, LazPayLater was officially launched on 1st November 2022. Although LazPayLater has similarity with SPayLater, they differ in terms of their BNPL provider. Based on LazPayLater general introduction websites¹²², LazPayLater currently provided and managed by LazadaPay FIN Services (Malaysia) Sdn Bhd or alternatively through APayLater Sdn Bhd by Atome. Atome is Southeast Asia's largest BNPL provider and a leading digital consumer financing platform in the region¹²³. This means Lazada's BNPL service in Malaysia

¹²¹ The Philippine Business and News, *CIMB Expands Banking Ecosystem to Bolster Financial Inclusion*, August 19, 2024, <https://thephilbiznews.com/2024/08/19/cimb-expands-banking-ecosystem-to-bolster-financial-inclusion/>.

¹²² "Lazada PayLater - General Introduction," *Lazada Helpcentre*, September 18, 2024, https://helpcentre.lazada.com.my/s/faq/knowledge?categoryId=1000026941&m_station=faq&questionId=1000141768.

¹²³ *Atome*, n.d., <https://www.atome.my/en-my/our-story>.

is operated either under Lazada's own financial services subsidiary, LazadaPay FIN Services (Malaysia) Sdn Bhd or in partnership with BNPL fintech providers like Atome to power the service. This dual-provider setup will allow the user to choose either to make their BNPL using LazadaPayLater itself or Atome if they already had an Atome account.

When LazPayLater was officially introduced, selected users were offered early access to the feature. These users could activate the service directly within the Lazada app, with initial credit limits up to RM4,000. The service will allow users to choose between a 30-day deferred payment plan with the zero percent charges (0%) or instalments over 3, 6, 9 or 12 months with 1.5% service fee.

LazPayLater continued to evolve in 2023 by clarifying its pricing structure and increasing credit limits. Starting from 23rd May 2023, a flat 1.5% service fee per month was introduced for all payment plans regardless of what the user chooses. The maximum credit limit was increased from RM4,000 to RM8,000. If the users late to pay their repayment duties, the late payment penalties will be charged on them with RM30 per billing cycle. Users can use LazPayLater to purchase all items on the e-commerce platform except for products under the digital goods category (such as e-vouchers and gift cards) and the fine jewellery category¹²⁴.

In sum, LazPayLater Malaysia reflects Lazada's strategic shift towards internal credit provision within its e-commerce platform. By reducing dependence on third-party BNPL providers and utilising proprietary consumer data for credit assessment, Lazada strengthens control over its financing operations. Evolving from its ASEAN pilot phase to its present regulated form under Malaysian law, LazPayLater demonstrates both regional innovation and effective localisation within the BNPL sector.

4.3.1 Customer's Eligibility

To qualify for LazPayLater, customers must fulfil several basic criteria set by Lazada. Firstly, they must be Malaysian citizens who are between 18 to 70 years of age. In addition, the individual must have a fully verified Lazada account, which includes successful verification of their email address, mobile phone number, and delivery address. The account should also reflect a consistent purchase history that demonstrates responsible platform usage. Most importantly, users are required to pass Lazada's electronic Know Your Customer (e-KYC) process, which involves uploading images of their MyKad (front and back), performing a real-time selfie, and completing a short form with personal and employment information. This is

¹²⁴ "Lazada PayLater - General Introduction."

followed by an internal credit evaluation using Lazada’s proprietary scoring algorithm. Notably, only users who are pre-qualified by Lazada based on these criteria will see the “Activate LazPayLater” button in the Wallet section of their account. This selective approach ensures that LazPayLater is only made available to users deemed financially capable of using the service responsibly. Pre-qualified is measured by the user past transaction history in Lazada.

Table 11 LazPayLater eligibility criteria¹²⁵

| Eligibility Criteria | Details |
|----------------------------|--------------------------------------------------------------------------------------------------------------|
| Nationality | Malaysian citizen |
| Age | 18 – 70 years old |
| Lazada Account Status | Fully verified account (email, phone, address) |
| e-KYC Verification | 1) Upload MyKad (front and back) 2) Perform real-time selfie 3) Submit personal and employment details |
| Internal Credit Evaluation | Past purchase history |
| Pre-Qualification | Good and consistent purchase history |

4.3.2 Account Activation

The LazPayLater activation process is designed to be simple and mobile-friendly, accessible directly via the Lazada app. Only **pre-qualified users** will see the LazPayLater option in their **Wallet** or **My Account** tab. The activation involves a few guided steps:

1. **Start Activation:** Tap the **LazPayLater** option in the Wallet and click “**Apply**” to begin.
2. **Phone Verification:** Enter the **6-digit OTP** sent to your registered mobile number.
3. **ID Verification:** Upload a **photo of your MyKad** (front and back).
4. **Face Verification:** Take a **real-time selfie** for identity confirmation.
5. **Personal Details:** Fill in basic **personal and employment information**, such as education level, occupation, and income.
6. **Submit Application:** Review and **submit** the completed form.

¹²⁵ Researcher’s own

7. **Wait for Approval:** Most users are approved within **5 minutes**, but the process may take up to **24 hours**, as stated in Lazada's own guidance.

During the process, users are advised to ensure their ID is valid, the image is clear, and auto-filled data is accurate. Once approved, the LazPayLater feature becomes available immediately for use during checkout.

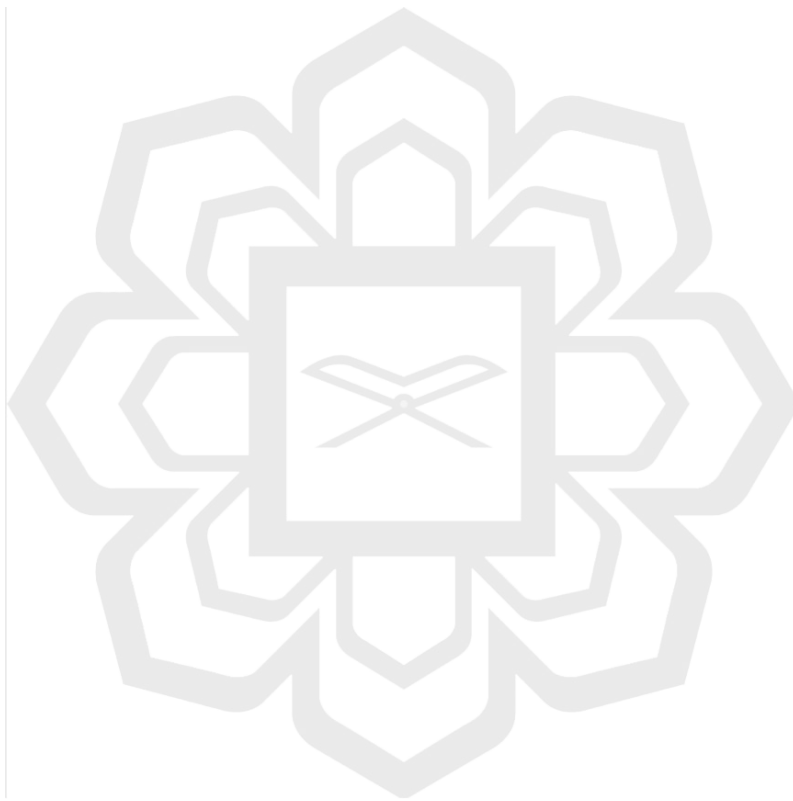


Figure 19 Snapshot of LazPayLater activation process via the Lazada mobile app¹²⁶

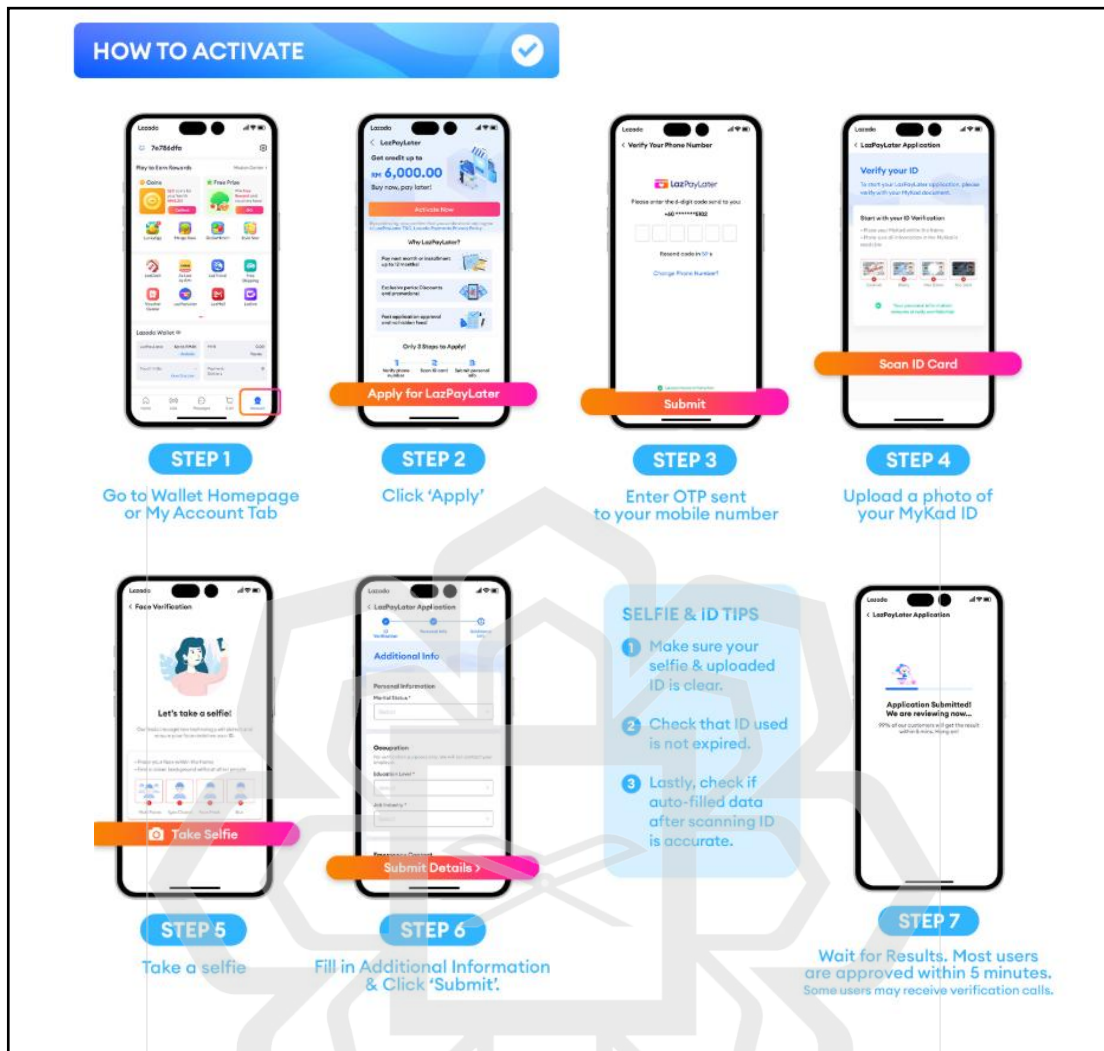


Figure 20 Snapshot of LazPayLater approval process

How long is the approval process?
Your Lazada PayLater application status will be displayed on the Lazada Wallet page. It can take up to 24 hours to approve, so if you do not see the results yet, do check again later.

4.3.3 Credit Limit

LazPayLater assigns credit limits based on the outcome of its internal credit assessment. Users credit limit is determined by their past transaction in Lazada. LazPayLater credit limit is up to RM 8,000¹²⁷, though this amount may vary based on the user's spending history and risk

¹²⁶ "How to Active LazPayLater," *Lazada Helpcentre*, n.d., https://helpcentre.lazada.com.my/s/faq/knowledge?&m_station=BuyerHelp&questionId=1000142069&hybrid=1&categoryId=1000026941#Frequently%20Asked%20Questions.

¹²⁷ "What Is My Lazada PayLater Credit Limit?," *Lazada Helpcentre*, n.d., https://helpcentre.lazada.com.my/s/faq/knowledge?&m_station=BuyerHelp&questionId=1000142069&hybrid=1&categoryId=1000026941#Frequently%20Asked%20Questions.

profile. The credit limit is dynamic and subject to review. Users might not be eligible to increase the credit limit themselves unless LazPayLater increase their credit limit. Users may receive notifications from Lazada if they are eligible for a limit increase after their repayment history is reviewed. It is important to note that the credit limit refers to the maximum outstanding balance a user can carry at any one time under LazPayLater.

4.3.4 Transaction Limit

Each LazPayLater transaction is constrained by the user's remaining available credit. A user may use LazPayLater for any purchase amount within this limit, provided the product category is eligible. However, Lazada restricts the use of LazPayLater for certain items, such as e-vouchers, mobile reloads, digital gift cards, and fine jewellery¹²⁸. While Lazada does not publicly disclose a minimum transaction amount, internal practises suggest a possible minimum between RM 10 and RM 30, to cover processing costs and operational efficiency.

4.3.5 Payment Plan & Billing Cycle

LazPayLater offers users two types of payment plans. The "Pay-in-30-days" plan allows customers to defer full payment without incurring any interest or fees, provided the amount is paid by the due date. Alternatively, customers may opt for 3-, 6-, or 12-month instalment plans, which are subject to a 1.5% flat service fee applied to the principal. Billing follows a consistent cycle, where the monthly statement is issued on the 10th and payment is due by the 25th. Late or partial payments will result in penalties as described in the following section, and customers with overdue accounts will be temporarily barred from using LazPayLater until all outstanding debt are settled.

¹²⁸ "What Products Can Be Purchased Using Lazada PayLater?," *Lazada Helpcentre*, n.d., https://helpcentre.lazada.com.my/s/faq/knowledge?&m_station=BuyerHelp&questionId=1000142071&hybrid=1&categoryId=1000026941.

Figure 21 LazPayLater billing date and its due¹²⁹

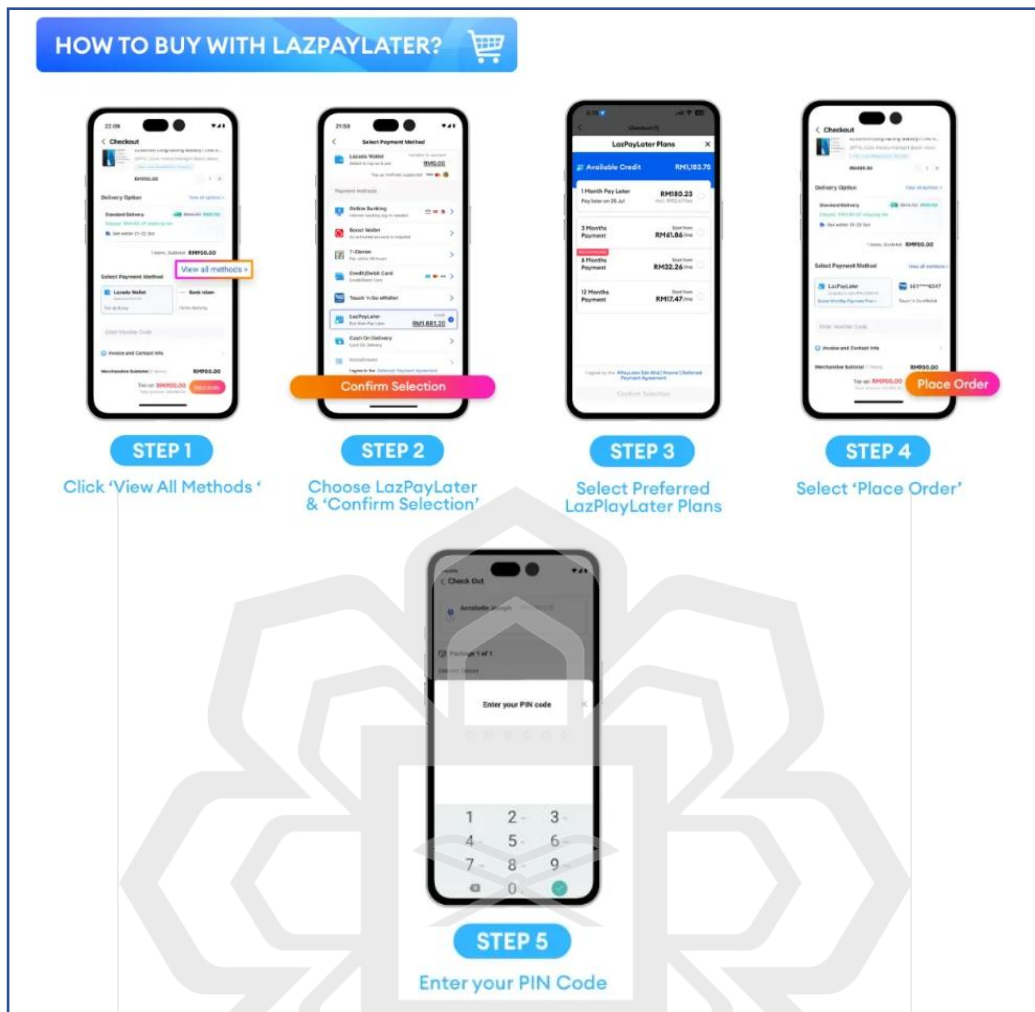


4.3.6 How to Pay Using LazPayLater

To make a purchase using LazPayLater, customers can follow a straightforward process directly within the Lazada mobile app. After adding the desired items to the cart and proceeding to the checkout page, the user should click on “View all methods” to access the full list of available payment options. From there, they must select “LazPayLater” and confirm their selection. Then users need to choose a repayment plan, either the Pay-in-30-days option or an instalment plan of 3, 6, or 12 months, each displaying the corresponding monthly repayment amount based on the user’s available credit. After selecting a plan, the user proceeds by clicking “Place Order” and is then required to enter their 6-digit PIN code to confirm the transaction. Once the order is successfully placed, the LazPayLater balance is updated in real-time. Customers may later repay their instalments through various payment channels including Lazada Wallet, FPX (online banking), credit or debit cards, and e-wallets such as Touch ‘n Go and Boost, allowing for a seamless and flexible repayment experience.

¹²⁹ Lazada, “Lazada PayLater - Fees and Billing,” *Lazada Helpcentre*, 6/11/20025, https://helpcentre.lazada.com.my/s/faq/knowledge?categoryId=1000026941&m_station=BuyerHelp&questionId=1000142073.

Figure 22 How to buy with LazPayLater



4.3.7 How to repay LazPayLater

To pay LazPayLater bills, users must access the LazPayLater section through the Lazada mobile application. There are two modes of repayment, pay in advance or pay due bill. If the users want to pay in advance, they may select the “Unbilled Statements” then click “Pay in Advance” option. Then enter the amount users want to pay and click “confirm”. Finally, choose from the available payment methods.

Meanwhile if the users pay due bill, they may go to LazPayLater section and click “Pay Bill”, then when users due amount will automatically appear, click “continue”. Lastly, Users need to choose repayment method and proceed to payment. Users may choose repayment method either Lazada Wallet, Online Banking, Credit or Debit Card or Touch ‘n Go eWallet¹³⁰.

¹³⁰ Lazada, “Lazada PayLater - Repayment,” *Lazada Helpcentre*, June 11, 2025, https://helpcentre.lazada.com.my/s/faq/knowledge?categoryId=1000026941&m_station=BuyerHelp&questionId=1000142102.

Once confirmed, the payment is processed, and users will receive a successful transaction notification. Finally, the credit limit will be updated within 24 hours following a successful transaction.

4.3.8 Interest Fee

Unlike SPayLater, LazPayLater does not charge any subscription fees, processing fees, or handling fees. However, they have interest fees that will be calculated based on the instalment plan that user select upon confirming the order. Actual interest fee will be displayed on the instalment page when placing orders by using Pay Later and could also be checked on statement after placing orders.

Initially, LazPayLater applies no fees for one month plan, making it an interest-free option for short-term purchases. Despite that, after the recent update, all payment plans either one month or 3, 6, or 12 months are charged a 1.5% interest fee on every instalment months, calculated on the purchase amount. This fee is evenly distributed across the selected instalment period, offering transparency and predictability in repayment.

For customers using LazPayLater through the Atome lender, an interest fee is applied depending on the instalment duration. The “Pay Next Month” option (allowing up to 40 days to repay) incurs a 1.5% interest fee. Meanwhile, the 3-month instalment option is charged at 5%, the 6-month plan at 9%, and the 12-month plan at 18%. These fees are calculated based on the monthly instalment principal.

For users under the PayFin lender, selected individuals may be granted 0% interest for the “Pay Next Month” instalment. However, this benefit is limited to selected users only. The same interest rates apply for longer instalment options: 5% for 3 months, 9% for 6 months, and 18% for 12 months.

Figure 23 LazPayLater Interest Fee Structure¹³¹

Lender

Atome:

| Instalment | Interest Fee |
|--------------------------------------------|--------------|
| Pay next month (up to 40 days to repay) | 1.5% |
| 3 months | 5% |
| 6 months | 9% |
| 12 months | 18% |

PayFin:

| Instalment | Interest Fee |
|--------------------------------------------|--------------|
| Pay next month (up to 40 days to repay) | *0% |
| 3 months | 5% |
| 6 months | 9% |
| 12 months | 18% |

According to LazPayLater- Fees and Billing website, a user's repayment and purchase behaviour can influence their interest eligibility under PayFin. If a user becomes subject to interest for the "Pay Next Month" option, they may regain access to the 0% rate by (a) paying their BNPL bills on time, and (b) continuing to make purchases on the Lazada platform. Importantly, the interest rate decision for PayFin users is solely at PayFin's discretion.

Table 12 Summary: LazPayLater Interest Fee Structure (Based on BNPL provider)¹³²

| BNPL provider | Instalment Option | Interest Fee | Notes |
|------------------------------------|----------------------------------|--------------|----------------------------------|
| Atome | Pay Next Month (\leq 40 days) | 1.5% | Applied to all users under Atome |
| | 3 Months | 5% | |
| | 6 Months | 9% | |
| | 12 Months | 18% | |
| PayFin (LazadaPay FIN Services) | Pay Next Month (\leq 40 days) | 1.5% | Based on user eligibility |
| | 3 Months | 5% | Same rates as Atome |
| | 6 Months | 9% | |
| | 12 Months | 18% | |

¹³¹ Lazada, "Lazada PayLater - Fees and Billing."

¹³² Researcher's own

4.3.9 Overdue Fee

Unlike Shopee, Lazada use the term of “Overdue Fee” for users’ failure to pay before due. All users that fail to make a payment by the 25th of the month triggers LazPayLater penalty mechanism. In this case, a fixed RM 30 late payment charge will be charged to the user’s account¹³³. However, users will have a 2-day grace period before they are charged with an Overdue Fee. Furthermore, LazPayLater services will be suspended temporarily, meaning users will not be able to make new purchases using the facility until the outstanding balance and the penalty are fully cleared.

4.3.10 Refund and Return

Based on LazPayLater Refund websites¹³⁴, if a user wishes to cancel an order, they must initiate the process through the Order Details page by selecting “Cancel Order”, choosing a cancellation reason, and submitting the request. Once the request is submitted, the system will process and review it. If the cancellation is approved, the refund will be handled accordingly.

For items cancelled before shipment, the LazPayLater charge is voided automatically, and the credit held is released immediately. For items that have already been shipped or received, a return must be initiated. Once the return is processed and approved, any payment already made, whether in full or as part of an instalment, will be credited back into the LazPayLater balance. The future instalments scheduled for that order will also be automatically cancelled.

Refunds are generally processed within 24 hours after approval. Users can track the progress of their refund through the “Transaction History” section under the LazPayLater dashboard, which shows both the status and amount refunded.

In cases where a bill has already been partially or fully paid, the refunded amount may be used to offset outstanding LazPayLater bills, particularly if the refund is credited before the monthly due date (typically on the 25th, with billing cycles closing on the 10th). Alternatively, users may choose to withdraw any surplus refund by navigating to:

LazPayLater homepage → Credit History → Balance History → Withdraw Balance.

¹³³ Lazada, “Lazada PayLater - Fees and Billing.”

¹³⁴ Lazada, “Lazada PayLater - Refund,” *Lazada Helpcentre*, September 18, 2024, https://helpcentre.lazada.com.my/s/faq/knowledge?&m_station=BuyerHelp&questionId=1000142075&hybrid=1&categoryId=1000026941.

This process ensures that refund handling under LazPayLater is streamlined and integrated within Lazada’s platform, offering clarity and convenience to users seeking reversals.

Table 13 Summary: LazPayLater Refund & Return Process¹³⁵

| Scenario | Action | Refund Outcome |
|------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Cancel order before shipment | Select “Cancel Order” and state cancellation reason | LazPayLater charge is voided, and credit hold is released immediately |
| Cancel after item shipped / return | Submit return request via order page | Upon approval, amount is credited to LazPayLater balance, future instalments cancelled |
| Refund reviewed and approved | Checked by system and seller | Processed within 24 hours, shown in Transaction History |
| Bill already paid | Refund credited to LazPayLater balance | Amount may offset outstanding bills or be withdrawn manually |
| Check refund status | Go to LazPayLater > Transaction History > Refunds tab | Shows refund dates and amounts |
| Withdraw refund balance | LazPayLater homepage > Credit History > Balance History > Withdraw Balance | Surplus can be transferred out if not used to offset any dues |

4.4 Comparative and sharī‘ah Analysis of Shopee and Lazada BNPL Models

After a long discussion about key features of two subsequent BNPL service, SPayLater and LazPayLater, the researcher now will compare between this two-e-commerce platform’s BNPL. This section will discuss a thematic comparative analysis between Shopee’s SPayLater and Lazada’s LazPayLater features while assessing their sharī‘ah compliance. The analysis covers key structural and operational components and evaluates them using Islamic legal principles and contemporary sharī‘ah rulings.

4.4.1 Comparison of Fee Structures and Their sharī‘ah Status

Shopee and Lazada both impose fees on their BNPL users. In terms of monthly instalment fees, both apply an instalment rate of 1.5% for payment plans involving monthly instalments. However, SPayLater’s fee structure differs slightly from LazPayLater. Shopee does not impose any fee for the one-month deferred payment plan, whereas other plans (3, 6, 12, 18, and 24 months) carry a 1.5% fee per month. LazPayLater, in contrast, imposes a flat 1.5% fee calculated from the purchase amount across all plans, including the one-month deferred

¹³⁵ Researcher’s own

payment. SPayLater labels this charge as a “processing fee,” while LazPayLater refers to it explicitly as “interest.”

From a sharī‘ah perspective, there is a concern whether these fees represent *ujrah* (legitimate service fees) or fall under *ribā*. According to the sharī‘ah Advisory Council (SAC) of Bank Negara Malaysia, fees imposed for the mere deferment of payment, without being linked to actual and necessary service costs are classified as *ribā*. This aligns with the principle that “every loan that draws a benefit is *riba*” (*kullu qarḍ in jarra naf‘an fahuwa ribā*).

Furthermore, AAOIFI sharī‘ah Standard No. 2 (Credit Sales) permits markups in deferred sales only when declared upfront and not tied to the outstanding amount. In SPayLater’s case, the 1.5% monthly processing fee is calculated as a percentage of the purchase amount and increases with both value and duration. This renders the fee non-compliant, as it closely resembles an interest-based charge, even if named otherwise. As noted by AAOIFI and BNM, valid *ujrah* must be a fixed amount reflecting actual services like credit assessment, documentation, or system usage and not a variable fee proportional to the financing amount.

Therefore, unless Shopee can prove that the 1.5% charge is a fixed, justified service fee based on actual cost and unrelated to time or debt value, the SPayLater fee structure cannot be considered sharī‘ah-compliant.

On the other hand, LazPayLater, clearly states that the 1.5% monthly charge is an “interest fee.” This means Lazada openly admits that the fee is interest, not a service fee or processing charge. From a sharī‘ah perspective, this is a serious issue because Islam strictly prohibits interest (*ribā*) in any form. Any extra payment added on top of a loan just because of time is considered *ribā*, and this is not allowed under Islamic law, even if both parties agree to it.¹³⁶

The fee charged by LazPayLater increases depending on the amount borrowed and the time taken to repay it. This is similar to how conventional loans work in the interest-based financial system. In Islamic finance, profit must come from real economic activity like trade or leasing and not from lending money and charging extra because of time.¹³⁷

Because LazPayLater’s charge is openly called “interest” and is calculated in the same way as interest in a loan, this model clearly goes against the principles of Islamic finance. The Qur’an strongly warns against *ribā* in verses like al-Baqarah 2:275–279, and Islamic scholars

¹³⁶ Ibn Rushd, *Bidayat al-Mujtahid wa Nihayat al-Muqtasid*, vol. 2 (Beirut: Dar al-Ma‘rifah, 1995), 231.

¹³⁷ ISRA, *Islamic Financial System: Principles and Operations* (Kuala Lumpur: ISRA, 2015), 178.

agree that charging interest on debt is not allowed¹³⁸. Hence, it is understood that LazPayLater's BNPL model cannot be accepted under sharī'ah.

4.4.2 Comparison of Repayment Schedules and Penalty Charges

Both SPayLater and LazPayLater offer users the flexibility to lower payments, yet they differ significantly in their repayment structures and late payment penalties. SPayLater provides two repayment options: the One-off Payment, labelled as BNPL, which requires full settlement of the purchase amount by the following month, and the Instalment Plan, which spans 3, 6, 12, 18, or 24 months depending on user eligibility and merchant offering. LazPayLater also offers two types of payment plans: a Pay-in-30-days scheme that allows full deferred payment without incurring charges, and a 3, 6, or 12-month instalment plan that includes a flat 1.5% service fee applied to the principal amount. Unlike Shopee, this fee is fixed and disclosed upfront.

In terms of billing cycles, SPayLater users are given the option to choose from three billing dates—1st, 11th, or 21st of each month, with corresponding due dates on the 10th, 20th, or 1st of the following month. This tiered system is designed to align with the typical salary distribution periods in Malaysia, thereby helping users manage their repayments more effectively. In contrast, LazPayLater issues a fixed monthly statement on the 10th, with all payments due by the 25th. Although this structure is simpler, it may not offer the same degree of flexibility, especially for users whose income schedules fall outside this window.

Regarding penalties for late payments, SPayLater imposes a fee that reflects the unpaid principal amount. If the outstanding amount is less than RM10, the penalty equals the outstanding balance. If the balance is RM10 or more, a flat RM10 fee is charged. This fee is justified under the concept of *ta'wīdh* (compensation), covering the actual cost incurred by the BNPL provider, Monee. According to SPayLater's Terms of Service, any amount exceeding the actual cost is classified as *gharāmah* and channeled to a charitable organisation under the supervision of a sharī'ah adviser. In contrast, LazPayLater imposes a flat RM30 overdue fee, regardless of the amount owed. A two-day grace period is given after the 25th before this penalty is applied. However, Lazada does not provide any sharī'ah justification for this charge, nor does it differentiate between *ta'wīdh* and *gharāmah*, raising questions about its alignment with sharī'ah principles.

¹³⁸ Wahbah al-Zuhayli, *Financial Transactions in Islamic Jurisprudence*, vol. 1, trans. Mahmoud El-Gamal (Damascus: Dar al-Fikr, 2003), 342–343.

Service restrictions are enforced by both providers when users default. SPayLater accounts are frozen until the user clears both the principal and the penalty. Similarly, LazPayLater suspends users from making new transactions until they fully settle their outstanding balance and the RM30 overdue fee. Overall, SPayLater’s approach appears more aligned with shari‘ah-compliant finance practises, particularly in its treatment of penalties and transparency in billing options. LazPayLater, while simpler in design, applies a one-size-fits-all penalty model that may not meet the same standards of shari‘ah governance.

Table 14 Comparison of Repayment Schedules and Penalty Charges

| Feature | Shopee SPayLater | Lazada LazPayLater |
|-----------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Repayment Options | 1. One-off Payment (BNPL) 2. Instalment (3, 6, 12, 18, 24 months) | 1. One-off Payment (BNPL) 2. Instalment (3, 6, 12, 18, 24 months) |
| Monthly Statement | Issued according to billing cycle (1st, 11th, 21st billing) | Issued on the 10th of each month |
| Payment Due Date | Depends on billing cycle: - 1st billing → due 10th - 11th → due 20th - 21st → due 1st next month | Fixed due date on 25th of the month |
| Grace Period Before Penalty | No explicit grace period | 2-day grace period (penalty applied after 27th) |
| Late/Overdue Fee Amount | - If principal < RM10 → charge equals outstanding - If ≥ RM10 → RM10 fixed | Flat RM30 per late cycle, regardless of principal amount |
| Penalty Structure | Based on Ta’wīdh: - Justifies actual admin cost - Excess goes to charity (gharamah) | Flat penalty, not explicitly tied to cost; no mention of charitable allocation |
| Account Status Upon Default | Account frozen until full payment (principal + charge) | LazPayLater suspended until debt and RM30 penalty cleared |
| shari‘ah Position | Claimed as shari‘ah-compliant : - Uses Ta’wīdh - Gharamah handled per SAC guideline | Claimed as shari‘ah-compliant : - Uses Ta’wīdh - Gharamah handled per SAC guideline |

4.4.3 *Takyīf Fiqhī* and Contractual Models

Shopee's SPayLater service claims to operate under the Islamic contract of *bay' al-mu'ajjal*, also known as a deferred payment sale. This contract is recognised in Islamic jurisprudence as a legitimate mode of sale in which a seller sells an item at a fixed price with payment deferred to a future date, either in one lump sum or in instalments. According to information published on Shopee's official help portal,¹³⁹ SPayLater is certified as sharī'ah-compliant by Amanie Advisors, a global sharī'ah advisory firm registered with the Securities Commission Malaysia (SC). The explanation given states that SPayLater is consistent with the sharī'ah permissibility of *bay' al-mu'ajjal*, where the buyer and seller agree to a fixed price upfront, and the buyer pays it over time.

However, like the researcher mentioned earlier, there is a concern regarding how this structure is implemented. SPayLater imposes a 1.5% "processing fee" per month for instalment plans beyond three months. If this 1.5% fee is not part of a fixed total price declared at the time of sale but instead increases monthly in proportion to the outstanding amount, then the structure may resemble an interest-based model rather than a genuine *bay' al-mu'ajjal*. According to sharī'ah standards (e.g., AAOIFI and Bank Negara Malaysia's SAC), fees based on time or outstanding balance without a real underlying service are not permissible and may fall under the category of *ribā* (interest). Thus, while SPayLater may claim to follow a sharī'ah-compliant structure, the actual implementation of the fee component must be carefully reviewed to determine whether it aligns with the conditions of *bay' al-mu'ajjal* or not.

In contrast, LazPayLater, which is Lazada's BNPL product, does not claim to be sharī'ah-compliant. Publicly available terms and disclosures by Lazada clearly refer to the fee charged as an "interest fee." This fee is applied at a fixed rate of 1.5% per month on the purchase amount across all payment plans, including the one-month deferred option. Unlike Shopee, which attempts to frame its fee as a "processing charge," Lazada explicitly categorises the charge as interest, which directly places it outside the bounds of sharī'ah-compliant financial contracts. There is no mention of an Islamic contract (such as *Bay' al-Mu'ajjal* or *Tawarruq*) in LazPayLater's structure, and the use of interest as the cost of deferred payment is clearly prohibited in Islamic law.

From a fiqh perspective, the difference between the two providers is significant. While SPayLater attempts to use a valid Islamic contract (*bay' al-mu'ajjal*) and has obtained a

¹³⁹ Shopee, "SPayLater Terms of Service," *Shopee MY Help Centre*, May 8, 2025, <https://help.shopee.com.my/portal/4/article/77231-SPayLater-Terms-of-Service>

sharī‘ah certificate from Amanie Advisors, concerns remain about whether its processing fee is genuinely structured as a fixed price declared upfront. On the other hand, LazPayLater adopts a conventional credit model with no Islamic framework and uses the term “interest” openly, which makes its structure clearly non-compliant. Therefore, although both providers charge similar rates (1.5%), the legal and sharī‘ah status of those charges differ, with LazPayLater falling clearly into *ribā*, and SPayLater falling into a grey area unless the fixed price is contractually agreed upon at the point of sale.

Table 15 Takyif Fiqhi implied in both BNPL models

| Feature | SPayLater (Shopee) | LazPayLater (Lazada) |
|-----------------------|------------------------------------------|-------------------------------------------------|
| Islamic Contract used | <i>Bay‘ al-Mu‘ajjal</i> (deferred sale) | None – conventional loan model |
| Fee Label | “Processing Fee” | “Interest Fee” |
| Monthly Rate | 1.5% for >3 months | 1.5% across all plans |
| sharī‘ah Status | Certified by Amanie (claimed) | Not sharī‘ah-compliant |
| Issue Raised | Fee may resemble <i>ribā</i> if variable | Explicit <i>ribā</i> (based on amount and time) |

4.4.4 Merchant Charges and Contractual Relationship

Both platforms generate revenue by charging merchants. Shopee imposes a transaction fee on each BNPL-enabled sale. Lazada uses a similar commission structure. These charges are justifiable under contracts such as *wakalah* (agency with fee), *ju‘alah* (performance-based reward), or *ijārah* (service fee), provided the service rendered (e.g., financing access, customer traffic) is real and disclosed.

However, if the charges are indirectly financing the user’s deferred payment (e.g., cross-subsidising user credit cost), this may result in indirect *ribā*-based arrangements. A sharī‘ah-compliant structure would require clear separation of services and adherence to permissible contracts.

4.4.5 Lack of Customer Awareness of BNPL Payment Reminders

A common operational issue in BNPL services is the lack of user attentiveness to repayment notifications. Many users claim they missed payment deadlines because reminders were not

noticeable, too infrequent, or easily ignored in the interface. This can lead to unintentional delays in payment, despite the user's intention to comply. While platforms like SPayLater and LazPayLater do send push notifications or in-app alerts, these may not be sufficient for users with multiple obligations or poor digital literacy.

From a sharī'ah perspective, while forgetfulness is not sinful, contractual obligations must be fulfilled as agreed. Users are responsible for observing payment dates, but the provider also carries a duty to communicate clearly. Islam promotes clarity and mutual understanding in contracts (*al-tawāfuq wa al-ifhām*), and in the modern digital context, this extends to the quality of digital communication.

One proposed solution is to increase the frequency, visibility, and variety of reminder channels. For example, providers should not rely solely on in-app notifications. Instead, they may incorporate SMS alerts, WhatsApp reminders, email notices, or even calendar integrations. Notifications should begin at least three days before the due date and continue until payment is made. BNPL platforms may also introduce a notification dashboard or alert summary upon user login to reinforce awareness.

This improvement is not only practical but also reflects the ethical principle of *ta'āwun 'ala al-birr* (cooperation in goodness). By helping users fulfil their obligations on time, BNPL providers support financial discipline, prevent late fees, and protect both parties from dispute and harm (*ḍarar*). Stronger reminder systems can reduce default rates and help BNPL services remain consistent with sharī'ah expectations of transparency and fairness.

4.4.6 Payment Delinquency and Its sharī'ah and Systemic Implications

One recurring issue in Buy Now Pay Later (BNPL) schemes is payment delinquency, where users delay or default on instalments. From a sharī'ah perspective, habitual late payment violates the principles of trust (*amānah*) and contractual fulfilment (*wafā' bi al-'uqūd*). It also risks harming the integrity of contracts like *bay' al-mu'ajjal*, where timely payment is a key condition. Furthermore, BNPL providers cannot impose late charges due to sharī'ah's prohibition of *ribā*. This limits enforcement power unless structured through non-financial means.

A practical solution is to integrate BNPL repayment records into CCRIS and CTOS, which are Malaysia's centralised and private credit reporting systems. By doing so, users who delay payments may face consequences on their overall credit score, which can affect their ability to access other financing products such as car loans, home financing, or even postpaid mobile plans. This credit visibility acts as a behavioural incentive, encouraging users to repay

on time. When users know their actions will be recorded and potentially affect future financial access, they are more likely to act responsibly and budget carefully.

Integrating CCRIS/CTOS also aligns with *maqāṣid al-sharī'ah*, particularly the protection of wealth (*hifẓ al-māl*) and the promotion of ethical financial behaviour. It promotes fairness between the service provider and the consumer, reduces the risk of default, and supports a more disciplined digital credit environment. This measure must, however, be implemented transparently, with proper consent and safeguards to avoid unjust harm (*ḍarar*).

4.5 Summary Assessment of shari'ah Compliance for SPayLater and Lazada PayLater

This section presents a consolidated view of operational and compliance differences and identifies gaps requiring rectification.

Table 16 Summary of SPayLater and LazPayLater structures¹⁴⁰

| Component | SPayLater | LazPayLater |
|------------------------------|-----------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Charges/Fees | Processing fee (one-off or monthly instalment) | Merchant pays fee, Customer repays Deferred Payment |
| Late Payment Fee | Fixed RM10, excess channeled to charity | Not specified in T&C |
| Due Diligence/Verification | Verification under CCRIS and Credit Reporting Agencies Act 2010 | Eligibility and risk checks by Deferred Payment Provider |
| Payment Method | ShopeePay, Online Banking, 7-Eleven cash, Debit/Credit Card | Specified payment methods, prepaid cards excluded |
| Third Party Programme | Merchants may subsidise instalment rate (Special SPayLater Programme) | No merchant subsidy programme specified |
| Risk Sharing | SeaMoney bears collection risk, not transferred to users | Merchant must buy back debt upon customer default or refund |
| Shariah Oversight | Explicit Shariah oversight, Shariah Adviser involved | No explicit Shariah oversight |
| Handling of Refunds/Disputes | Monthly statement and dispute through Shopee's platform | Refund responsibility placed on Merchant; risk of set-off by Deferred Provider |
| Arbitration/Dispute Handling | Arbitration at AIAC Kuala Lumpur under Malaysian law | No Shariah-based dispute resolution process mentioned |

¹⁴⁰ Researcher's own

Table 17 shari'ah Comparison between SPayLater and LazPayLater¹⁴¹

| Features | Shopee Pay Later | LazPayLater |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| One Month Installment Rate | 0% | 1.5% |
| Monthly Instalment rate | 1.5% | 1.5% |
| Instalment Period Option | 3, 6, 9, 12, 18, 24 Months | 3, 6, 9, 12 months only |
| Total Instalment Rate | 1.5% X 3 months = 4.5% 1.5% X 6 months = 9% 1.5% X 12 months = 18% 1.5% X 18 months = 27% 1.5% X 24 months = 36% | 1 months = 1.5% 3 months = 5% 6 months = 9% 12months = 18% |
| Fees Labelling | Service/Processing fee | Interest fee |
| Islamic Contract fees | Ujrah | Not disclosed |
| Billing Timetable | Three cycle options: 1) Bill: 1 st and Due: 11 th 2) Bill: 21 st and Due: 10 th 3) Bill: 20 th and Due: 1 st next month | Only one cycle option: - Bill: 10 th each month - Due: 25 th each month |
| Late Payment Charges | Remaining bill below RM10: < RM10 Remaining bill more than RM10: RM10 only capped | RM 30 |
| Late payment charge name (Islamic terms) | <i>Ta'widh & Gharamah</i> | - |
| Late Payment outgoing | Ta'widh: will be used to cover the actual cost loss Gharamah: surplus value from ta'widh to be channelled to a charitable body | Not disclosed |
| Islamic Contract used (Takyif Fiqhi) | <i>Bay' al-Mu'ajjal</i> | Not disclosed |
| Eligible things to buy | All item except Shariah Non- Compliant item | Not disclosed |
| Shariah Advisor | YES | NO |
| Shariah Compliant license | Amanie Advisor Group | Not disclosed |

¹⁴¹ Researcher's own

4.5.1 Comparative Summary Table

From the comparison, both SPayLater and LazPayLater exhibit significant shari‘ah compliance challenges. SPayLater’s reliance on a processing fee attached to a *qard* contract renders it invalid, while LazPayLater’s adoption of a flat interest rate directly risks *ribā*, making its status even more problematic. Although LazPayLater could potentially be reframed under *bay‘ al-taqsiṭ* or *tawarruq*, its current structure remains unclear. Merchant fees in both models may be permissible if properly designated under *wakālah* or *ijārah*, yet the absence of goods screening represents a serious compliance gap, as it allows financing of non-halal products. Overall, while both platforms face issues, Shopee’s model may be easier to restructure into a shari‘ah-compliant form by revising its fee mechanism, whereas Lazada’s reliance on interest-based charges presents a more fundamental obstacle.

Table 18 Comparative Summary Table¹⁴²

| Feature | SPayLater | LazPayLater | shari‘ah Status |
|-----------------|------------------------|--------------------------------------|----------------------------------------------|
| Fee Type | Monthly processing fee | Flat interest rate | Doubtful (may involve <i>Ribā</i>) |
| Late Charges | Flat late fee | Overdue fee added | Non-compliant if retained |
| Takyīf Fiqhī | <i>Qard</i> with fee | Possible <i>bay‘ taqsiṭ/tawarruq</i> | Shopee: Invalid. Lazada: Unclear |
| Merchant Fee | Transaction-based | Commission | Permissible with <i>wakalah/ijārah</i> terms |
| Goods Screening | No restriction | No restriction | Major compliance gap |

4.5.2 Key Gaps and Risk Areas

One of the primary differences between SPayLater and LazPayLater lies in their fee structures and interest rates. SPayLater generally operates with flexible fees that vary according to the repayment period and user behaviour. For instance, users who pay on time may incur fewer fees, while those who choose longer repayment periods might face higher interest rates.

In contrast, LazPayLater may offer a more standardised fee structure, depending on the length of the Instalment plan and customer creditworthiness. Both platforms, however, strive

¹⁴² Researcher’s own

to maintain a level of transparency in their terms to avoid issues with *ribā*. If any hidden fees or excessive charges are present, it would affect their sharī'ah compliance.

From a sharī'ah perspective, Shopee distinguishes this processing fee from conventional interest (*ribā*), presenting it as a legitimate service charge rather than a profit earned from money lending. The classification of such fees in Islamic finance, however, may still be subject to further scrutiny depending on the contractual structure adopted.

4.5.3 Recommendations for Industry Improvement

Both SPayLater and LazPayLater provide flexible repayment schedules, but the specifics of the terms differ. Shopee tends to offer a range of payment options from 30 days to 6 months, with the possibility of extending the repayment period for select users. On the other hand, LazPayLater may provide slightly different options, with a focus on shorter-term repayments.

In terms of late payment policies, both platforms charge late fees or impose penalties for users who miss their payments. These fees may vary depending on the repayment plan chosen. From an Islamic perspective, the imposition of late fees needs to be scrutinised to ensure they are not structured as penalties that involve *ribā*, but rather as a method of compensating for administrative costs or loss of opportunity. Both platforms, therefore, need to maintain clarity on how such charges are determined to stay within sharī'ah compliance.

4.6 Structural Comparison between SPayLater and LazPayLater with Terms & Conditions (T&C) References

Table 19 Structural Comparison between SPayLater and Lazada PayLater¹⁴³

| Category | Aspect | Shopee Pay Later | LazPayLater |
|----------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Service Structure | Shopee offers receivables purchase model where SeaMoney purchases receivables from sellers under a Receivable Purchase Arrangement. (T&C Shopee: Definitions 2.1, 3.1) | Lazada offers a Deferred Payment Structure through a Deferred Payment Service Provider, allowing customers to pay later while merchants are paid upfront. (T&C Lazada: Definitions, 6.1) |

¹⁴³ Researcher's own

| | | | |
|--------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Basic Structure | Relationship Type | Shopee buys the receivables from the seller and collects payment from the user. (T&C Shopee: 3.1) | Lazada processes orders, and the Deferred Payment Provider bears the payment to the merchant. (T&C Lazada: 6.1) |
| | Customer Position | Customer owes Shopee/SeaMoney. (T&C Shopee: 4.2) | Customer owes the Deferred Payment Provider, not Lazada directly. (T&C Lazada: Definition Deferred Payment) |
| Fees and Charges | Fee/Service Charge | <i>Instalment Rate</i> or <i>Processing Fee</i> imposed. (T&C Shopee: 8.1) | Fees charged to sellers (commercial fees), not clearly stated for customers. (T&C Lazada: 6.2) |
| | Late Payment Penalty | RM10 late payment penalty; excess amounts donated to charity. (T&C Shopee: 9.1) | No mention of customer late penalty in seller T&C. |
| | Special Fee Waiver Programme | Selected merchants can offer SPayLater with an exemption from Instalment Rate, funded by merchant fees. (T&C Shopee: 11.1-11.2) | No special fee waiver programme mentioned in seller T&C. |
| Eligibility and Credit Check | Customer Due Diligence | Credit checks via CCRIS, Credit Reporting Agencies, and user documents. (T&C Shopee: 5.1) | Real-time risk assessment of customer and merchant before transaction approval. (T&C Lazada: 6.3) |
| | Registration & Verification | User verification required to activate SPayLater. (T&C Shopee: 5.1) | Real-time customer eligibility confirmation before Deferred Payment approval. (T&C Lazada: 6.3.2) |
| Dispute Resolution and Refunds | Dispute Handling | User responsible for dispute; Shopee does not guarantee merchant's goods. (T&C Shopee: 12.3) | Seller must bear <i>Re-Purchase Amount</i> if refund/cancellation occurs. (T&C Lazada: 9.1) |
| | Refund Policy | Not detailed extensively in Shopee T&C; follows Shopee | Seller must promptly refund <i>Refunded Amount</i> to Deferred |

| | | | |
|-----------------|------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------|
| | | platform standard return policies. | Payment Provider. (T&C Lazada: 9.2) |
| Shariah Aspects | Commitment to Shariah Compliance | Users reminded to use SPayLater for halal goods only. (T&C Shopee: 4.4) | No Shariah Compliance clause mentioned. |
| | Gharāmah Management (Excess Late Fee Donation) | Excess late charges donated to charity. (T&C Shopee: 9.1) | No mention of gharāmah handling. |

4.7 The Role of RUUKP and SKP in Regulating BNPL

For the past several years, Buy Now Pay Later (BNPL) arrangements in Malaysia operated within a regulatory vacuum, despite their rapid expansion across the consumer credit landscape. Whilst Bank Negara Malaysia maintained general oversight of traditional financial institutions, BNPL providers, predominantly fintech-based and non-bank entities, remained beyond the scope of direct regulatory supervision. This regulatory lacuna generated significant concerns regarding contractual transparency, the adequacy of affordability assessments, and ethical standards in debt collection practises, all of which bear particular significance when evaluated against sharī‘ah compliance principles.

The Malaysian Parliament addressed this legislative gap in September 2025 through the passage of the *Rang Undang-Undang Kredit Pengguna 2025* (RUUKP), known in English as the Consumer Credit Bill 2025 (CCB). Upon receiving Royal Assent, this Bill becomes the *Akta Kredit Pengguna 2025* or Consumer Credit Act 2025 (CCA)¹⁴⁴. This comprehensive legislation establishes regulatory oversight for six previously unregulated consumer credit services, including BNPL schemes, factoring, leasing, debt collection, and debt management. At the heart of this framework is the creation of the *Suruhanjaya Kredit Pengguna* (SKP), officially referred to as the Consumer Credit Commission (CCC), which functions as an independent statutory body empowered to licence, monitor, and supervise non-bank credit providers¹⁴⁵. By consolidating BNPL providers under a unified supervisory authority, the CCA

¹⁴⁴ “BNPL, Kutip Hutang, Pajak Kini Dikawal Selia Melalui Kelulusan RUU Kredit Pengguna 2025,” Astro Awani, September 5, 2025. Accessed September 29, 2025. <https://www.astroawani.com/berita-malaysia/bnpl-kutip-hutang-pajakan-kini-dikawal-selia-melalui-kelulusan-ruu-kredit-pengguna-2025-537262>

¹⁴⁵ “RUUKP Diluluskan, BNPL Akan Diawasi Suruhanjaya Kredit Pengguna,” Free Malaysia Today, September 5, 2025. Accessed September 29, 2025. <https://www.freemalaysiatoday.com/category/bahasa/tempatan/2025/09/05/ruukp-diluluskan-bnpl-akan-diawasi-suruhanjaya-kredit-pengguna>

strengthens consumer protection mechanisms and promotes regulatory consistency across the industry. From a sharī'ah perspective, the framework offers significant potential to mitigate risks of *ribā*, *gharār*, and unjust enrichment that often arise in unregulated BNPL arrangements, thereby facilitating the development of models that are more aligned with sharī'ah principles.

The implementation of RUUKP represents a pivotal juncture in the governance of Malaysia's fintech ecosystem. By consolidating BNPL providers under unified supervisory oversight, the Act strengthens consumer protection mechanisms whilst promoting regulatory consistency across the industry. From a sharī'ah perspective, this regulatory framework offers significant potential to mitigate the risks of *ribā*, *gharār*, and unjust enrichment inherent in unregulated BNPL transactions, thereby facilitating the development of more sharī'ah-compliant business models.

Within this introduction of RUUKP, the researcher expect it will be a turning point in the governance of Malaysia's fintech sector. By placing BNPL providers under a single supervisory body, the Act could strengthen consumer protection and promote greater consistency in regulatory oversight across the industry. From a sharī'ah perspective, this framework may also help reduce the risks of *ribā*, *gharār*, and unjust enrichment in BNPL transactions, thereby supporting the development of more sharī'ah-compliant models. However, as the Act has only recently been proposed, its effectiveness in practise remains uncertain. This highlights an important area for future research to examine whether the safeguards introduced under RUUKP and SKP are capable of achieving their intended objectives in both consumer protection and sharī'ah compliance.

However, given the nascent stage of this legislative framework, with the Act expected to be gazetted by year-end 2025 and implemented in phases, its practical effectiveness remains subject to empirical validation. This regulatory transition presents crucial avenues for future research, particularly in examining whether the safeguards instituted under RUUKP and SKP successfully achieve their dual objectives of enhanced consumer protection and improved sharī'ah compliance within Malaysia's evolving BNPL landscape.

4.8 Conclusion

This chapter has conducted a comprehensive examination of the structural and operational dimensions of SpayLater and LazPayLater through the methodological lens of *takyīf fiqhī*. The comparative analysis revealed significant structural convergences and operational divergences between these platforms, particularly regarding their contractual architectures, late payment penalty mechanisms, and fee structures. Whilst both models demonstrate potential

compatibility with established Islamic contractual frameworks, their operational practises continue to present substantive challenges to full sharī'ah compliance, particularly concerning the risks of *ribā*, *gharār*, and unjust enrichment. The analysis has illuminated critical regulatory lacunae within Malaysia's financial oversight framework, wherein BNPL providers operated largely beyond formal supervision, thereby exposing consumers to inadequate transparency mechanisms and insufficient affordability assessments.

The Consumer Credit Act 2025 (RUUKP) and the creation of the Consumer Credit Commission (SKP) mark a major step in Malaysia's regulation of consumer credit. This law introduces licensing rules for BNPL providers, requires strict affordability checks, and sets ethical standards for debt collection. Together, these measures aim to address concerns about Sharī'ah compliance. The framework also demands transparent disclosure of contract terms¹⁴⁶, introduces phased regulatory oversight until 2031, and enforces penalties of up to RM5 million for violations¹⁴⁷. These provisions build the institutional support needed for the development of Sharī'ah-compliant BNPL models within Malaysia's Islamic finance system.

However, the nascent implementation timeline of RUUKP necessitates cautious optimism regarding its practical efficacy in achieving dual objectives of consumer protection and sharī'ah compliance enhancement. Future research priorities should encompass empirical evaluation of RUUKP's effectiveness in mitigating identified risks of *ribā*, *gharār*, and unjust enrichment, assessment of market responses to the new regulatory environment, and analysis of whether these safeguards successfully enable the sustainable development of sharī'ah-compliant alternatives within Malaysia's evolving digital finance landscape. The regulatory transition thus establishes critical imperatives for ongoing scholarly inquiry into the intersection of fintech innovation, consumer protection, and Islamic finance principles.

¹⁴⁶ Baker McKenzie, "Malaysia: The Consumer Credit Bill 2025," *InsightPlus*, https://insightplus.bakermckenzie.com/bm/consumer-goods-retail_1/malaysia-the-consumer-credit-bill-2025 (accessed on 30 September 2025).

¹⁴⁷ Halim Hong & Quek, "Consumer Credit Bill 2025: What We Know So Far," *HHQ*, May 19, 2025, <https://hhq.com.my/posts/consumer-credit-bill-2025-what-we-know-so-far/> (accessed on 30 September 2025).

CHAPTER FIVE

CONCLUSION

5.1 Introduction

The preceding four chapters of this dissertation have explained the research background, problem statement, objectives, review of previous research, methodology, and detailed analysis of BNPL models offered by Shopee and Lazada.

This chapter serves as the conclusion of all preceding chapters. The researcher notes that this study has successfully achieved its three objectives and addressed all three research questions. Specifically, it examined the Islamic perspective on deferred payment and time value of money, analysed the potential *takyīf fiqhī* applicable to BNPL, and compared the operational structures of SPayLater and LazPayLater in light of sharī'ah principles.

Within this chapter, the researcher presents a proposed framework for sharī'ah-compliant BNPL and outlines recommendations for industry improvement and future research.

5.2 Main Findings of the Research

This research is related to one of the important financial instruments in the fintech sector, namely Buy Now, Pay Later (BNPL). Unquestionably, Malaysia's fintech sector is growing rapidly and continues to attract more consumers each year. The main purpose of carrying out this research is to examine whether BNPL as a fintech product, and its role in promoting financial inclusion, meets sharī'ah requirements based on primary and secondary Islamic sources.

Hence this chapter now explains the arrangement on which the research was conducted. First, BNPL was selected as the issue of this dissertation because it has become a pressing concern among the Muslim majority in Malaysia. From there, three research questions were formulated to ensure that the three objectives of the research could be achieved.

The data for this research was collected primarily through **library research and online sources**, including academic articles, BNPL providers' websites, regulatory guidelines, and reports. These sources were then analysed descriptively and comparatively to address the research questions. The first and second research questions, the sharī'ah perspective on deferred payment and time value of money, and the identification of suitable *takyīf fiqhī* for BNPL were answered by drawing on Qur'ān, Ḥadīth, classical fiqh literature, and modern

Islamic finance guidelines. The third research question which examined the structures of SPayLater and LazPayLater and assessed their sharī'ah compliance was answered by analysing their operational features and comparing them with the identified sharī'ah principles.

This chapter substantiates, drawing from evidence derived from al-Qur'ān and Ḥadīth, that the compatibility of fintech practises with Islam depends on their adherence to permissibility, transparency, and avoidance of harm. The detailed analysis in Chapter Two addressed the first research question by demonstrating how BNPL as a deferred payment mechanism can only be acceptable if it follows these principles.

Since BNPL structures differ across providers, two leading platforms in Malaysia SPayLater and LazPayLater were selected as case studies. The involvement of BNPL providers, merchants, and consumers was mapped, and the contractual relationships were compared. The analysis revealed key issues such as credit limits, transaction caps, fee structures, and late payment policies. Chapter Three explored potential contracts applicable to BNPL, including *bay' al-mu'ajjal*, *murābahah*, *ijārah*, *wakālah*, *kafālah*, and *hawālah*. From this, the second research question was answered: BNPL can be structured within certain contracts, but *qard* is unsuitable because any monetary benefit linked to a loan amount to *ribā*.

The final analysis in Chapter Four compared SPayLater and LazPayLater directly. It showed that SPayLater is closer to compliance due to its sharī'ah certification from Amanie Advisors, more transparent fee structures, and clearer terms. Lazada PayLater, however, relies on interest-based charges and lacks certification, making it more problematic. Concerns about late payment penalties and the use of BNPL for potentially non-halal goods were also highlighted. These findings answered the third research question and fulfilled the third objective, demonstrating that BNPL services can only be permissible if restructured to align with sharī'ah contracts and operational safeguards.

In conclusion, the study found that while BNPL provides financial convenience, it also introduces sharī'ah concerns if left unregulated. To address these issues, the research recommends that BNPL must be structured under valid Islamic contracts, prohibit *ribā*-based fees, redirect late payment charges to charitable purposes, and undergo certification by qualified sharī'ah advisors. Through this, BNPL can serve as both an innovative and compliant financial instrument that contributes to the ethical development of Malaysia's fintech sector.

5.3 Research Implications: A proposed model of shari‘ah Compliance BNPL

The findings of this research carry important implications for the development of a shari‘ah-compliant BNPL framework in Malaysia. The analysis of both classical and modern perspectives has shown that BNPL is not inherently impermissible, but its permissibility depends on the contractual structure, the treatment of fees and charges, and the safeguards implemented to prevent non-compliance with shari‘ah. Therefore, this section proposes a model that integrates these elements into a coherent framework.

The first element of the proposed model is the **contractual structure**. BNPL arrangements should be based on valid sales contracts such as *bay‘ al-mu‘ajjal* or *murābahah*, since these provide a recognised basis for deferred payment. Where necessary, *wakālah* may be incorporated when the BNPL provider acts as an agent between the consumer and the merchant, while *kafālah* and *hawālah* can serve as supportive contracts to manage risk or transfer debt obligations. On the other hand, *qard* should be excluded from BNPL models, because the imposition of any additional charges on a loan is considered *ribā*.

Table 20 Applicability of Contracts to BNPL¹⁴⁸

| Contract | Applicability to BNPL | Remarks |
|-------------------------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Bay‘ al-Mu‘ajjal</i> | Strongly applicable | Provides the closest structure to BNPL since goods are delivered immediately and payment is deferred to a fixed future date, either lump sum or instalments, without any interest element. |
| <i>Murābahah</i> | Strongly applicable | Suitable when the BNPL provider discloses the cost and profit margin upfront, aligning with transparency requirements; instalment payments can be structured within this cost-plus arrangement. |
| <i>Ijārah</i> | Conditional | Only applicable if the BNPL arrangement involves leasing of services or usufruct rather than sale of goods; otherwise, it is less relevant. |
| <i>Wakālah</i> | Supportive | Applicable when the BNPL provider acts as an agent to facilitate payment collection or manage instalments on behalf of the merchant. |
| <i>Kafālah</i> | Supportive | It can be used where a third-party guarantee is required for repayment obligations, offering additional security for merchants or providers. |

¹⁴⁸ Researcher’s own

| | | |
|---------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Ḥawālah</i> | Supportive | It is useless for transferring debt obligations between parties (e.g., between BNPL providers and financing partners), though not part of the core BNPL structure. |
| <i>Qarḍ</i> | Not applicable | A benevolent loan (<i>qarḍ ḥasan</i>) must not generate any benefit for the lender since BNPL involves fees or charges, applying <i>qarḍ</i> would risk <i>ribā</i> and is therefore unsuitable. |
| <i>Bayʿ al-Dayn</i> | Not applicable | Involves sale of debt, which is contentious in sharīʿah and unsuitable for BNPL consumer financing, as it risks trading debts for profit. |

The second element relates to **fees and charges**. Any interest-based or compounding fee structure must be avoided. Instead, service fees that are directly tied to actual administrative or processing costs may be imposed, provided that they are transparent and disclosed at the outset of the contract. In the case of late payment, penalties should not become a source of profit for the BNPL provider. Instead, such charges should be treated as *taʿwīdh* and directed to charitable channels, thereby ensuring that the provider does not benefit from consumer hardship while still discouraging deliberate default.

The third element is **operational safeguards**. BNPL providers must submit their structures for certification by qualified sharīʿah advisory firms to guarantee that their operations meet regulatory and ethical standards. Transparency must be enforced through clear disclosure of repayment schedules, fees, and obligations to consumers. In addition, providers should adopt responsible financing measures to prevent over-indebtedness and ensure that BNPL facilities are not extended to high-risk or vulnerable groups without proper financial capacity checks. Merchants working with BNPL providers should also be screened to ensure that goods or services offered through the platform do not involve non-halal elements, thereby aligning BNPL usage with the requirements of sharīʿah-compliant consumption.

Table 20 Framework for sharīʿah Compliant BNPL¹⁴⁹

| Pillar | Key Elements |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Contractual Structure | <ul style="list-style-type: none"> • Use <i>bayʿ al-muʿajjal</i> or <i>murābahah</i> as the main contracts. • Apply <i>wakālah</i> when BNPL provider acts as an agent. • <i>Kafālah</i> for guarantee arrangements. • <i>Ḥawālah</i> for debt transfer if needed. • Exclude <i>qarḍ</i> with added benefits, as it leads to <i>ribā</i>. |

¹⁴⁹ Researcher's own

| | |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fees and Charges | <ul style="list-style-type: none"> • No interest-based charges. • Only transparent service or processing fees linked to real cost. • Late payment charges to follow <i>ta'wīdh</i>: capped, non-profitable, and channelled to charity. • Clear and upfront disclosure of repayment terms. |
| Operational Safeguards | <ul style="list-style-type: none"> • Mandatory sharī'ah certification by recognised advisory firms. • Transparent contracts and fee structures. • Responsible financing with affordability checks to avoid over-indebtedness. • Merchant screening to prevent financing of non-halal goods/services. • Continuous sharī'ah audit and monitoring. |

The proposed model is not only theoretical but also offers practical guidance for regulators and industry players. A comparative analysis of the current practises of SPayLater and LazPayLater demonstrates that Shopee's structure is relatively closer to compliance due to its certification and clearer fee disclosures, whereas Lazada's reliance on interest-based charges makes it more problematic. The model put forward in this dissertation bridges these gaps by offering a standardised structure that can be applied by all BNPL providers to achieve sharī'ah compliance.

Table 21 Comparative Analysis of BNPL Models¹⁵⁰

| Feature | Shopee Pay Later | Lazada PayLater | Proposed sharī'ah Model |
|---------------|---------------------------------|------------------------|-------------------------------------------------------------------------------------|
| Certification | Amanie Advisors | None | Mandatory by SAC |
| Fees | Processing fee | Interest fee | Service fee only and not based on percentage of the sale |
| Late Payment | Penalty (provider profit) | Interest & overdue fee | Impose <i>Ta'wīdh</i> and excess treated as <i>Gharāmah</i> (channelled to charity) |
| Contract | <i>Bay' al-Mu'ajjal</i> implied | Loan-like | <i>Bay' al-Mu'ajjal</i> / <i>Murābahah</i> + <i>Wakālah</i> |

In summary, the proposed model contributes to the fintech ecosystem by offering a practical framework that balances innovation with ethical finance. By applying valid contracts, reforming fee structures, and embedding strong operational safeguards, BNPL can be

¹⁵⁰ Researcher's own

transformed into a financial product that not only provides convenience but also upholds the principles of sharī'ah.

5.4 Recommendation

The preceding discussion on the main findings demonstrates that this study, *Analysing Sharī'ah Compliance in Buy Now Pay Later Models: A Comparative Study of Shopee and Lazada*, establishes foundations for extensive future research endeavours.

To maintain the relevance of this research to Malaysia's economic development and the advancement of Islamic financial technology, several areas pertaining to fintech, financial inclusion, and BNPL warrant exploration in subsequent investigations. The following research directions are recommended for future scholarly inquiry:

1. Future research should encompass examination of additional BNPL providers operating within Malaysia beyond SPayLater and Lazada PayLater. Providers such as Atome, Split, Hoolah, and Pace have achieved widespread adoption, necessitating investigation into whether their operational practises and contractual frameworks achieve sharī'ah compliance or engender concerns related to *ribā*, *gharār*, or consumer exploitation.

2. A critical area requiring further investigation concerns the operational dimensions of sharī'ah compliance amongst BNPL providers. This encompasses sharī'ah auditing processes, ongoing compliance reviews, transparency in fee disclosure mechanisms, late payment policy enforcement, and monitoring of merchant practises. These operational considerations are fundamental to ensuring comprehensive adherence to sharī'ah principles in the daily administration of BNPL services.

3. There is a compelling need for further research to evaluate the effectiveness of the Consumer Credit Act 2025 (RUUKP) and the role of the Consumer Credit Commission (SKP) after its enforcement. Future studies should assess how far this new regulatory framework enhances transparency, affordability assessments, and ethical debt collection in BNPL transactions, and whether its implementation fulfils both sharī'ah compliance and consumer protection objectives in Malaysia.

4. Future research should additionally consider comparative studies between Malaysia's BNPL models and international BNPL frameworks within jurisdictions where regulatory authorities have established comprehensive guidelines. Such cross-jurisdictional analysis would provide invaluable insights into global best practises and may guide Bank Negara Malaysia and the sharī'ah Advisory Council in refining Malaysia's indigenous BNPL regulatory framework.

In conclusion, while this dissertation has provided a comparative analysis of Shopee and LazPayLater models and proposed a shari'ah-compliant framework, the rapid evolution of fintech continues to present new challenges and opportunities. Future research that addresses local providers, operational compliance, regulatory developments, and international comparisons will strengthen the development of ethical, sustainable, and shari'ah-compliant alternatives within Malaysia's financial ecosystem.



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