Buy Now Pay Later (BNPL) in Malaysia: A Shariah and Consumer Protection Analysis

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ABSTRACT

This study evaluates Buy Now Pay Later (BNPL) services in Malaysia to determine whether it is Shariah-compliant and align with consumer protection laws. It analyzes the structure and contractual terms of BNPL services with Shariah legal standards and Maqasid Shariah, to assess how these services protect consumers. A doctrinal legal research methodology is applied, focusing on statutory documents, Shariah principles, and the terms of chosen BNPL services such as Atome, Grab PayLater, and Shopee PayLater—the content anaylsis from legal texts, academic articles, and regulatory guidelines. The findings of the study showed only one BNPL service aligns with Shariah principles through a certified Bai' Bithaman Ajil model and proper governance. The other two raise compliance concerns due to a lack of Shariah oversight and mirror conventional credit.

Keywords: Buy Now Pay Later, Islamic Finance, Shariah Compliance, Consumer Protection, Malaysia

INTRODUCTION

Buy Now, Pay Later (BNPL) is a service offered to users to enable them to pay on an installment basis without incurring any interest. However, the problem arises when this type of service is not regulated by any credit agency (Cornelli et al., 2023). Consumer credit was offered since the early 1800s and was offered in the form of pawning, providing money loan services, then moved to the introduction of the hire purchase system, also known as installment plans, and then came the invention of credit and charge cards in the 1950s. The first written record under civil law that governs credit can be seen in the Babylonian Empire under the ruling of Hammurabi from 1750-1792 BC (Chuah et al., 2023). Consumer credit has been available since the early 1800s. Initially offered in the form of pawnbroking and money lending, it evolved into hire-purchase systems (installment plans), followed by the creation of credit and charge cards in the 1950s. The first written record of laws regulating debt dates back to the Babylonian Empire under King Hammurabi (1792–1750 BC). The first credit card was introduced in the United States in the 1920s (Chuah et al., 2023).

The Application of BNPL

BNPL is a subcategory of fintech that applies technological advancements to enhance credit service delivery. Several countries have reported increased use of BNPL, especially in Europe (Sweden, Germany, Norway), as well as in the US, UK, Australia, and Singapore, mainly due to easy access to financial services (Zainudin & Othman, 2024). A major factor behind the global rise of BNPL was the COVID-19 pandemic. Consumers became more cautious and strategic with spending due to job losses or income cuts caused by government-imposed movement restrictions. BNPL allowed users to purchase basic goods and pay in installments, helping them align spending with their financial conditions at the time (Zainudin & Othman, 2024). Popular BNPL platforms include Atome, Grab PayLater, Shopee PayLater, Rely, FavePay Later, Moby, Moby Islamic, and PAYLATER Malaysia. These services involve short-term credit agreements between consumers and providers. The installment duration varies; for example, Shopee PayLater offers 1, 2, 3, 6, or 12-month terms, while Grab PayLater offers fixed 4-month installments. These typically do not involve interest if paid on time. From an Islamic financial law perspective, Shariah-compliant financial products and contracts include Al-Bai' Bithaman

Ajil, Wadiah, Musharakah, Murabahah, Ijar, and Takaful. In the BNPL context, structures that comply with Shariah involve cost plus profit margin concepts such as Murabahah or Tawliyah, where the sale and purchase prices are the same (Katterbauer et al., 2023).

One key Shariah principle determining compliance is the prohibition of riba (interest). Any interest-based loan violates Shariah and is a key distinction between Islamic and conventional banking. Selling prohibited goods like alcohol also disqualifies compliance. BNPL transactions often lack a strong Shariah-compliant legal foundation, as most platforms follow conventional frameworks. Late payment fees are especially questionable as they must align with the ta'widh (compensation) principle, meaning they should reflect actual costs and require approval from the bank and Shariah committee (Katterbauer et al., 2023; SAC, 2024).

This is concerning, considering that 5.1 million Malaysians use BNPL, mostly aged 21–45. Additionally, 73% of users come from the B40 income group (under RM5,000/month) and 21% from the M40 group (RM5,000–10,000/month) (New Straits Times, 2025). This indicates that financially vulnerable users form the majority, increasing the risk of over-indebtedness, especially if using non-Shariah-compliant BNPL services that impose harsh penalties.

Ideally, all BNPL transactions should comply with Shariah principles such as clear pricing, no interest, and certainty in contract terms. The user protection must align with Maqasid Shariah in the protection of wealth (Hifz Al-Mal). However, implementation is lacking despite SAC's recommendations. While some BNPL platforms appear Shariah-compliant on the surface, suspicious elements remain unclear penalty clauses, ambiguous contract terms, and hidden fees.

If the BNPL structure is proven to violate Shariah principles, it could be legally invalid under Islamic finance law. From a consumer protection angle, excessive penalties can overburden users, leading to loan defaults and damaged credit scores. Therefore, this study evaluates BNPL services in Malaysia through the lens of Islamic financial principles, Maqasid Shariah, and consumer law, and proposes a fairer, more compliant BNPL model. The compliance of BNPL services in Malaysia is compared with Islamic financial principles and consumer protection laws. It analyzes the structure and contractual terms of selected BNPL platforms to assess their alignment with Shariah legal standards. In doing so, the research intends to determine how closely these studies adhere to the objectives of Islamic financial law, particularly those outlined in Maqasid Shariah. Additionally, the study examines whether current BNPL offerings in the Malaysian market provide adequate legal protection for consumers, especially those from vulnerable income groups. Ultimately, the research aspires to propose an alternative BNPL framework that is both Shariah-compliant and supportive of consumer rights and financial well-being.

LITERATURE REVIEW

Core Shariah Principles in Financial Contracts

Islamic finance has a system that discourages ideas such as riba, gharar, and maysir. As a result, Islamic financial institutions were created to provide financial instruments that meet these requirements (Visser, 2009).

Prohibition of Riba, Gharar, and Maysir

The principle of Shariah is based on the Al-Quran and hadith that emphasise and uphold the importance of justice, transparency, and prohibit any dealings that can lead to losses. The main principles are the prohibition of riba, gharar, and maysir. All of these, when applied to a transaction, would give a disadvantage, burdening the debtor, and consequently causing an injustice. PayLater applications such as Shopee show non-compliance against Shariah principles due to the existence of riba in the late payment fees charged when payment is not made on time. Additionally, unclearness in terms and conditions concerning additional costs and consequences of delayed payment is considered a form of uncertainty (gharar). The element of gambling (Maysir) is present as the application encourages unplanned consumer behaviour, which may lead to consumers being trapped in a cycle of debt (Munawarsyah, 2024).

BNPL Syariah-Compliant Financing Structures

The granting of loans by Shopee PayLater can be seen as an implementation of a lending contract, which is the act of giving property to another person that can be claimed or asked to return. According to the Fatwa Dewan Syariah Nasional (DSN) in Indonesia, the aqad used in borrowing money by electronic means falls under lending (Qardh). However, the terms and conditions of the loan cannot be applied to Shopee PayLater transactions due to the existence of riba in loan repayment terms above 3 months (Hellyanita et al., 2024).

In theory, the application of a loan contract is suitable for the BNPL transaction. However, the practice of BNPL in the Islamic Economy falls under deferred payment contract (Bai' bithaman al-Ajil) due to it being a sale and purchase with deferred payment instead of a loan (Ulum & Asmuni, 2023). The concept of Al-Bai Bithaman Ajil (BBA) is an extension of the principles of sale and purchase (Bai'). The main distinction between a normal sale and purchase transaction in contrast to BBA, is the method of payment. BBA is a type of Islamic financial contract where payment is not made upfront but instead is made in installments. BBA is considered valid when the duration of the installment is fixed and mentioned when purchasing or entering into such a transaction. It is also important that the contract created is fair on both ends, meaning the service provider and the consumer. BBA differs from the conventional practice because it does not involve riba, which is prohibited in Islam (Himmah & Hairiyah, 2025).

There are three conditions of a BBA transaction according to the fiqh experts from the Shafi'i madhhab. The first condition is the existence of people to enter into a transaction, which includes the seller and buyer, the offer and acceptance, and the object to be transacted. BBA is a sale and purchase contract where the bank is usually the seller and the customer is the buyer. The purchase price of a normal contract of sale and purchase is usually priced at the purchase price plus profit. Similarly, BBA adopts the same concept, but the payment is made in installments, and the price is agreed upon between the buyer and seller at a nominal value (Himmah & Hairiyah, 2025).

In the context of financing, BBA does not resemble sales of a buyback contract (Bay'Inah). The parties in the context of BNPL can be seen when the consumer buys goods or services from the seller, the financier pays the seller for the purchaser, and lastly, the consumer pays the financier based on the amount and duration agreed upon. In BBA, the increase of purchase price with deferred payment is accepted as compared to cash sale because of the concept of the time value of money, but it is applicable only for the contract of sale and not for the contract on loan, provided that the price increase is disclosed and transparent during the aqad. Administrative charges that are often charged in a BNPL transaction can be a form of commission (ujrah)as long as the rate is made clear and transparent. The charges made must be based on the actual cost of management incurred and not in the form of interest on a loan (Saiman, 2023).

BNPL schemes also charge a fee due to late payment on installments. This can also be a form of interest if the late payment fee adds to the financier's profit. To make it Shariah-compliant, Bank Negara Malaysia's Shariah Advisory Council came out with a guideline highlighting 2 principles. Compensation (Ta'widh) can be considered as income if the fine imposed is based on the actual cost incurred due to breach of contract. However, penalty (gharamah) cannot be counted as income and must be distributed to charity (BNM, 2010).

Maqasid Shariah

Maqasid Shariah, the higher objectives of Islamic law, aim to preserve essential human interests, notably including the protection of wealth (hifz al-mal), which is fundamental in safeguarding financial welfare and preventing exploitation. Compliance with core Shariah principles, such as prohibiting interest(riba), uncertainty (gharar), and ensuring mutual consent, ensures alignment with these objectives by promoting justice and preventing harm in financial transactions. In the context of BNPL schemes, adherence to Maqasid Shariah is critical to protect consumers from potential financial harm arising from hidden fees, excessive debt, or interest-based charges, which contravene Islamic ethics. While BNPL facilitates consumer convenience, without proper Shariah governance, it risks encouraging consumerism and indebtedness, thus undermining hifz al-mal and the broader maqasid. Therefore, Maqasid Shariah provides an essential framework for evaluating BNPL schemes to ensure they uphold Islamic financial law and effectively protect consumers (Agzah & Fageh, 2024).

Existing Legal Framework for Consumer Protection

In Malaysia, the law that governs consumer protection is the Consumer Protection Act 1999 (CPA). Due to the rising need for consumer protection in E-commerce, the CPA was amended in 2013 to extend the scope of the act to include electronic commerce transactions. Among other things, the CPA prohibits sellers from misleading consumers with regard to the quality or quantity of goods or improperly stating the prices (Roslan et al, 2022). However, no provision governs the acts of non-bank credit providers such as Shopee Paylater and more. Due to the lack of a legal framework governing credit business, the Consumer Credit Act (CCA) was enacted alongside the establishment of the Consumer Credit Oversight Board Taskforce (CCOB). The relevance of this enactment is to ensure comprehensive provisions governing business conduct and consumer credit protection. This reform aims to regulate Islamic consumer credit, ensuring Islamic credit providers, including Islamic BNPL, Islamic Leasing, and Islamic Financing facilities, establish operations based on appropriate Shariah contracts (Ilias, 2024).

This present study contributes to the literature by addressing gaps in understanding the regulatory framework of BNPL services from a Shariah-compliant and consumer protection perspective.

METHODOLOGY

This study adopts a legal research methodology to attain the outlined objectives. It is doctrinal in nature as it aims to conduct an in-depth analysis of legal documents and analyze the implementation of the BNPL system with Shariah principles. This study will be in the scope of Malaysia from the perspective of Islamic financial law and consumer protection.

The primary source of reference in this study consists of relevant statutes and legislation, such as the Consumer Credit Bill, the Consumer Protection Act 1999, the Policy Document of Personal Financing 2023, and the resolution of the Shariah Advisory Council. In analysing the extent of compliance with the principles of fiqh muamalat and maqasid shariah, the official terms and conditions of BNPL platforms such as Atome, Grab Paylater, and Shopee Paylater will be referred to.

The secondary sources of reference include journal articles sourced from online databases and the UKM library's e-journals. This study also refers to newspaper reports and scholarly writings on current developments concerning BNPL issues in Malaysia.

This analysis relies entirely on library-based research and existing documents. The information procured will be analyzed using content analysis and a normative analysis approach. The content analysis is used to understand the structure and practices of BNPL services in the Malaysian market, while the normative analysis approach is used to compare the practices with shariah principles and existing legal provisions to assess the level of consumer protection and shariah compliance.

RESULTS AND DISCUSSION

Legal Framework for BNPL Services

The growth of BNPL schemes in Malaysia presents regulatory challenges and opportunities. While the model promotes financial inclusion and convenience, it also raises questions about consumer indebtedness, transparency, and Shariah compliance. With Malaysia positioning itself as a global leader in Islamic finance, it is imperative that digital financing models like BNPL are governed by both sound legal frameworks and robust Islamic financial principles.

In December 2023, Bank Negara Malaysia (BNM) issued an updated Policy Document on Personal Financing, introducing specific requirements for BNPL providers. In parallel, the tabling of the Consumer Credit Bill 2025 seeks to unify credit regulation under the proposed Consumer Credit Commission (CCC).

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BNM Policy Document on Personal Financing (2023)

The BNM document sets regulatory expectations for financial service providers (FSPs), including Islamic banks and issuers of Islamic payment instruments, offering BNPL products. The Policy ensures affordability assessment based on a borrower's credit or utility payment history (para 11.1–11.4). Late Payment Charges (LPC) are allowed only to the extent of actual recovery costs (ta'widh) (para 11.11). Prohibition of compounding LPCs or using them as a revenue stream (para 11.13(c)-(d)). Finally, mandatory Shariah compliance for Islamic BNPLs, with valid contracts and approvals (para 11.20–11.23).

Consumer Credit Bill 2025

The Bill introduces a unified licensing and oversight framework for all credit providers. Notably, it includes Part VI (Clauses 80–83): Requires Shariah compliance for Islamic credit businesses. Clause 81: Imposes a positive obligation to ensure that all products, terms, and operations conform to Shariah. Clause 83: Allows referral to the Shariah Advisory Council (SAC) for court or arbitration decisions. Finally, Clause 87: Prohibits misleading or deceptive conduct, including in fee disclosure.

BNM's 2023 BNPL policy and the upcoming Consumer Credit Bill 2025 form a dual foundation for governing Malaysia's credit landscape. However, aligning these instruments with Islamic legal objectives requires clearer contract frameworks, more robust Shariah oversight, and improved consumer transparency. By integrating these reforms, Malaysia can establish a global benchmark for ethical, compliant, and inclusive Islamic fintech governance.

BNM Shariah Advisory Rulings on Buy Now Pay Later

The Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM) issued its much-anticipated ruling on BNPL arrangements on 24 January 2024. This ruling came into effect immediately and was introduced to provide greater clarity on the Shariah requirements that must be observed by Islamic financial service providers (FSPs) offering BNPL facilities.

The ruling applies to all Islamic FSPs regulated under various financial statutes, including:

Islamic banks licensed under the Islamic Financial Services Act 2013;

Conventional banks and investment banks approved under Section 15(1) of the Financial Services Act 2013 to offer Islamic banking services;

Development financial institutions are approved under Section 33B(1) of the Development Financial Institutions Act 2002.

Under Malaysian law, compliance with any SAC ruling by an Islamic FSP is deemed to constitute compliance with Shariah. In this context, a BNPL facility can be seen as a modern extension of the traditional Islamic sale contract, which is well established and permissible, so long as it is structured following Shariah principles.

Recognising that BNPL platforms may adopt a variety of operational models, the SAC emphasises flexibility and innovation, provided that key Shariah safeguards are met. Islamic BNPL structures must therefore:

Employ Shariah contracts that individually and collectively fulfil the conditions required by Islamic law;

Ensure the preservation of the primary objective (muqtada al-'aqd) of the contract;

Clearly define and reflect the rights and responsibilities of all parties involved;

Be free from any practices that would lead to interest (riba).

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Regarding late payment charges, the SAC allows these charges only if they reflect actual administrative costs incurred due to delays or defaults. Any such charges must be substantiated, approved by the Islamic FSP's Shariah committee, and comply with BNM's regulatory guidelines.

Where Islamic BNPL facilities are offered on platforms that also market non-Shariah-compliant goods or services, such arrangements are not automatically disqualified. However, three key conditions must be met:

The BNPL facility must be used exclusively for the purchase of Shariah-compliant goods and services;

The Islamic FSP's Shariah committee must approve the offering of the BNPL product on such a mixed platform;

The provider must implement appropriate controls to prevent transactions involving non-compliant items.

Additional provisions apply to BNPL facilities that facilitate the purchase of ribawi items like gold and silver, due to their specific treatment in Islamic law. For these items:

The transaction must be executed on a spot basis (T+0), though a settlement period of up to T+2 is permitted due to operational norms;

The consumer must gain possession at the time of the transaction—either physical possession or constructive possession.

Ultimately, it is the responsibility of the Shariah committee within each Islamic FSP to ensure the institution's practices, contracts, and operations are aligned with Shariah principles. The SAC's ruling aims to guide these committees in building a fully Shariah-compliant BNPL structure.

Although the ruling is directly applicable to licensed Islamic FSPs, non-bank Islamic fintech firms offering BNPL are also encouraged to refer to the SAC's guidance. These firms are advised to educate consumers about what makes a BNPL facility compliant with Islamic finance to promote awareness and integrity in the growing digital finance ecosystem.

Comparative Analysis of Malaysia's BNPL Regulatory Approach and Indonesia's Fatwa DSN-MUI No. 135/2020 on Digital Payments

Indonesia has adopted a proactive Islamic legal position via the Fatwa DSN-MUI No. 135/2020, which sets out Shariah principles for digital contracts and transactions. This article compares both approaches through the lens of Shariah objectives (maqasid al-shariah) and financial governance.

Malaysia's approach to regulating BNPL services is currently anchored in a policy-driven framework. The BNM Policy Document on Personal Loan 2023 serves primarily as a regulatory instrument aimed at mitigating market conduct risks. The framework prioritizes several key principles, including affordability assessments to ensure borrowers do not overextend themselves, transparency in fees, adherence to fair debt collection practices, and overall systemic risk management. While the framework outlines practical standards for responsible conduct, it does not explicitly root itself in Shariah legal theory. Instead, it is designed to be integrated into the broader legislative environment through the forthcoming Consumer Credit Act, which will place both bank and non-bank BNPL providers under a unified supervisory regime.

In contrast, Indonesia adopts a more faith-based normative approach to BNPL regulation. The Fatwa DSN-MUI No. 135/2020, issued by the National Sharia Council (Dewan Syariah Nasional) of the Indonesian Ulama Council (Majelis Ulama Indonesia), provides binding Shariah guidelines for digital payment systems. This fatwa affirms that digital transactions are valid under Islamic law, provided they satisfy essential contractual elements such as offer, acceptance, clarity of contract object, and mutual consent of the parties, even when conducted electronically. The fatwa operates under the regulatory authority of Otoritas Jasa Keuangan (OJK), Indonesia's Financial Services Authority, which has institutionalized the incorporation of Shariah rulings into its governance of Islamic financial institutions. This integration of religious legal norms into the regulatory framework marks a distinctive feature of Indonesia's Islamic finance ecosystem.

Shariah Analysis of BNPL Providers in Malaysia

To assess the Shariah compliance of major BNPL providers in Malaysia, the following table summarizes key contractual structures, fees, penalties, and governance considerations:

Table 1: Shariah Analysis of BNPL Providers

Provider	Contractual Structure	Financing Terms	Fees & Charges	Late Payment Handling	Shariah Certification	Overall Assessment
Shopee PayLater	Baiʿ Bithaman Ajil via Receivable Purchase (Monee entity)	0% for 1-month; 2–12 months instalment with fixed rates	1.5% monthly admin fee (clearly disclosed; previously 1.25% and hidden)	RM10 admin fee; surplus classified as gharamah and donated to Shariah-approved charities	Yes (Amanie Advisors)	**Compliant –** Clear contract structure, fee transparency, charitable handling of penalties
Grab PayLater	Baiʿ Bithaman Ajil-like; merchant receivables assigned to Grab entity	0% for postpaid & 4-month plans; 1.5% fee for 8–12 month plans	No fees on short-term plans; 1.5% fee on long-term plans clearly disclosed	RM10 flat admin fee per missed instalment; no mention of surplus donation or charitable treatment	No	**Partially** Compliant Transparent pricing but lacks Shariah governance on penalty usage
Atome PayLater	Conventional credit model (not based on sale)	0% for 3-month; 1.5% monthly fee for 6–12-month plans	1.5% monthly fee considered riba-like; total cost not rooted in valid Shariah contract	RM23 late fee + RM7 penalty; no disclosure on charitable handling; can accumulate significantly	No (separate iBNPL exists)	**Non-Compliant –** Interest-like charges and punitive penalties violate Shariah and maqasid principles

Sources: Shopee Paylater, Grab PayLater & Atomy PayLater Websites.

The comparative analysis reveals that only Shopee PayLater currently meets the requirements of Shariah compliance, substantiated through formal Shariah certification and ethical governance mechanisms. The scheme's adherence to transparency in fees, capped late penalties, and the charitable use of excess funds aligns with both contractual integrity and the higher objectives (maqasid al-Shariah) of preserving wealth (hifz al-mal).

Grab PayLater, although structurally similar to Islamic financing models, falls short due to the absence of Shariah certification and lack of disclosures regarding the treatment of late payment surpluses. These gaps suggest the need for a formal governance mechanism to ensure full compliance.

In contrast, Atome PayLater exemplifies a conventional consumer credit structure. Its profit-charging mechanism closely resembles riba and its cumulative penalty framework conflicts with established Islamic financial ethics. Despite introducing a separate Islamic BNPL option under "Apaylater," its mainstream offering remains incompatible with Shariah standards.

Future regulatory harmonisation, possibly under the forthcoming Consumer Credit Act and BNM's responsible financing policy, should mandate minimum Shariah compliance benchmarks for Islamic-labelled BNPL products. Clear certification, transparency in cost structures, and ethical penalty governance are essential to ensuring integrity within Malaysia's evolving Islamic digital finance ecosystem.

RECOMMENDATIONS

In light of the varying levels of Shariah compliance observed among BNPL providers in Malaysia, it is essential to introduce governance reforms that enhance the integrity and consistency of Islamic digital consumer credit. These recommendations are directed toward regulatory authorities such as Bank Negara Malaysia (BNM), the

Consumer Credit Oversight Board (CCOB), and fintech service providers aiming to offer Shariah-compliant BNPL products.

Mandatory Shariah Supervisory Board (SSB) Oversight

All BNPL providers that claim Shariah compliance should be required to appoint a qualified Shariah advisor or form an internal Shariah Supervisory Board (SSB). These advisors should be accredited by regulatory bodies such as the Securities Commission Malaysia (SCM) or BNM. The SSB must oversee every aspect of the BNPL offering, from contract structuring to the imposition of fees and penalties, to ensure full compliance with Islamic legal and ethical standards.

Compulsory Shariah Certification and Pre-Approval

Fintech firms that wish to market Islamic BNPL services must first obtain official Shariah certification from recognized authorities such as BNM's Shariah Advisory Council (SAC) or the Securities Commission. This certification process will promote consistency in the application of Shariah rulings and reduce the risk of consumer confusion or misrepresentation.

Annual Shariah Audits and Transparency on Late Payment Penalties

Islamic BNPL providers should be subject to annual Shariah audits to review operational compliance. These audits should include a dedicated report on the collection and disbursement of any late payment penalties. All funds collected beyond actual administrative costs must be redirected to charitable causes following SAC guidance.

Standardized Shariah-Compliant Contract Templates

BNM and CCOB should issue standardized contract templates for Islamic BNPL schemes, particularly those based on widely accepted contracts like Murabahah, Baiʿ Bithaman Ajil, and Qard al-Hasan. This will streamline compliance for new entrants and enhance consumer understanding of the terms involved.

Creation of a Public Registry for Islamic BNPL Providers

A centralized, publicly accessible registry listing certified Shariah-compliant BNPL providers and products should be developed, potentially by CCOB. This will enhance market transparency, allow consumers to make informed decisions, and prevent misuse of Islamic branding by non-compliant providers.

Clear Regulation of Late Payment Charges

To safeguard against riba and unfair penalties, all BNPL providers should adhere to the late payment charges must be limited strictly to actual administrative costs (ta'widh). Interest-based compounding must be expressly prohibited. Any excess fees must be donated to charitable organizations, and this process should be transparently documented.

These rules should be embedded in user agreements and monitored through regular Shariah Suprevisory Board reviews.

Building Internal Shariah Literacy in Fintech Firms

Founders, product designers, and senior management of BNPL platforms should undergo formal training in Islamic finance. Courses on fiqh muamalat and Shariah-compliant product design from recognised institutions should be considered a minimum standard. Regulators may require certification as a precondition for offering Islamic-labelled products.

CONCLUSION

These governance enhancements are critical to preserving consumer confidence, upholding Islamic financial ethics, and preventing the dilution of Shariah standards in the face of rapid fintech innovation. Implementing these measures would position Malaysia as a pioneer in responsible Islamic digital finance while protecting vulnerable users, many of whom turn to BNPL schemes out of financial necessity. Strong Shariah governance not only reflects legal integrity but also reinforces the spiritual and moral objectives embedded in Islamic commercial law. From a legal standpoint, the absence of comprehensive regulation for non-bank credit providers raises consumer protection concerns. The forthcoming implementation of the Consumer Credit Act and the establishment of the Consumer Credit Oversight Board (CCOB) are timely interventions to ensure that Islamic and conventional BNPL services operate within a consistent legal and ethical framework. This research underscores the importance of aligning fintech innovation with both Shariah principles and consumer protection mandates. Future development of BNPL schemes must integrate Maqasid Shariah, especially the principle of protection of wealth(hifz al-mal), to prevent exploitation and financial harm. The study recommends that all BNPL platforms obtain formal Shariah certification and implement clear, justifiable penalty structures to safeguard users, particularly those from vulnerable income groups. Ultimately, for BNPL to thrive sustainably within Malaysia's dual financial system, regulatory authorities, and service providers must collaborate to create a BNPL ecosystem that is legally sound, financially inclusive, and Shariah-compliant.

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