2150 - Ruling on auctions

the question

What is the ruling on going to auctions where one has to pay a fee or deposit before entering? What is the ruling on the kind of auctions known nowadays where a product is sold for the highest price reached?

Detailed answer

Sales and purchases made at auctions are valid transactions, so long as the conditions stipulated by sharee'ah are adhered to. This is the opinion of the majority of scholars, and one of the texts which they quote as evidence is the hadith of Anas ibn Malik, who said that the Messenger of Allah (peace and blessings of Allah be upon him) sold a rug (for spreading on the ground or putting on the back of a riding-beast) and a cup. He said, "Who will buy this rug and cup?" A man said, "I'll take them for a dirham," and the Prophet (peace and blessings of Allah be upon him) said, "Who will offer more than a dirham? Who will offer more than a dirham?" Another man gave him two dirhams, and bought the goods. (Reported by al-Tirmidhi, may Allah have mercy on, in al-Sunan, 1139; he said, "This is a hasan hadith which we know only from the hadith of al-Akhdar ibn 'Ajlaan…) The practical conclusion drawn from this by the scholars is that they see nothing wrong with selling war-booty or inherited goods to the highest bidder. This hadith was narrated by al-Mu'tamir ibn Sulaymaan and by more than one of the prominent people from al-Akhdar ibn 'Ajlaan.

There follows a definition of this kind of sale, and some of the regulations that apply to it:

1. The contract: an auction is a commutative contract or exchange, based on a call issued vocally or in writing to invite interested parties to take part in the auction. The contract is concluded when the seller is satisfied.

2. The actual contract may vary according to whether it is the matter of selling or leasing, etc, and according to the nature of the auction – it may be voluntary, like the regular kind of

auction held among individuals, or required by law, such as auctions ordered by a judge. Auctions required by law may be held by public and private institutions, and government bodies, as well as individuals.

3. Any procedures involved in the auction – such as paperwork, regulations and administrative and legal conditions – should not contradict the rules of Islamic sharee'ah.

4. Requiring a deposit from everyone who wants to come in is permissible according to sharee'ah, but it should be returned to anyone who does not buy anything, and should be counted as part of the purchase price for those who do buy.

5. According to sharee'ah, there is nothing wrong with charging an entry fee to cover the costs of producing booklets listing regulations, etc., so long as it is not more than the actual cost.

6. Artificially inflating prices is haraam. This may take the following forms:

1. a person who has no intention of buying may inflate the price to tempt the buyer to offer more

2. a person who has no intention of buying may pretend to like the product and to know a lot about it, and may praise it highly, to tempt the buyer to offer more

3. the vendor, his agent or the auctioneer may make false claims about how much was paid for the product, in order to mislead the one who is thinking of buying

4. modern forms of this forbidden inflation of prices include the use of audio-visual and written means to list fine qualities that do not exist in reality, or to raise the price so as to tempt the buyer and impel him to complete the transaction

And Allah knows best.