

387114 - Is it permissible for him to buy from the suppliers at a discount then sell to the company he is working for?

the question

I work for a company in the purchasing department, and I have formed good relationships with the suppliers, and because of these relationships I get a greater discount on items. If I buy from them with this discount for a company in which my brother and I are partners, and I sell to the company for which I work, is that permissible or not?

Detailed answer

Firstly:

Your selling to the company for which you work is subject to further discussion:

1.. If you are selling to the person who is in charge of purchasing, and you disclose the fact that you are acting as a seller [and not as an employee of the company], there is nothing wrong with that according to Islamic teachings. So you can purchase the items from the suppliers for yourself, and sell them to the company for the price to which you both agree.

The basic principle regarding transactions is that they should be conducted between two parties, a seller and a buyer, except in the case of an agent selling to himself or purchasing from himself, as we shall see below.

2.. If you are responsible for purchasing for the company for which you work, so you want to buy for yourself and sell to the company for whom you are working, without them knowing that you are the seller, then this is the issue of an agent buying from himself. That is not allowed except with the permission of the one who appointed you, namely the company.

The reason for this prohibition is obvious, because it is a betrayal of trust and is causing the one who appointed you to lose some of his profits.

It says in *Mataalib Ooli an-Nuha* (3/463): It is not valid for an agent to sell to himself, meaning that he buys from himself for himself what he was appointed to sell. This is our view, and it is the view of the majority; it was stated definitively in *al-Wajeez* and elsewhere, and was stated to be the correct view in the madhhab and elsewhere.

It is not valid for him to buy from himself for the one who appointed him as his agent, according to the correct view of the madhhab, because what is customary in buying and selling is for a man to purchase from someone else, but buying as an agent is not like buying and selling between two different people, because that will be a cause of suspicion if the agent buys for himself or buys from himself, and it will not achieve the purpose of business transactions if he buys for himself and sells for himself. Therefore it is not permissible, even if he offers a price better than the average, or appoints someone else to sell it.

That is unless the one who appointed him gives him permission to sell to himself or purchase from himself; in that case it is valid for the agent to play both roles [that of the seller and that of the buyer] when selling to himself or buying from himself. End quote.

The Maalikis and Hanbalis are of the view that it is permissible for the agent to buy from himself with permission.

The Hanafis and Shaafa'iis disallowed that, even if it is done with permission.

See: *al-Mu'aamalaat al-Maaliyyah al-Mu'aasirah* by Abu 'Umar ad-Dubyaan (1/398); *al-Mawsoo'ah al-Fiqhiyyah al-Kuwaitiyyah* (45/52).

3.. If you are going to buy with a discount and sell to your brother's company, then your brother's company is going to sell the items to the company for which you work, there is nothing wrong with that, on condition that you are not the one who is responsible buying or purchasing.

You have no right to make the purchase for your brother's company during your working hours in the company for which you work, or as a representative of the company for which you work, when you are working for someone else.

The one who is in charge of buying or purchasing must work in the interests of the company for whom he is working, and look for the best prices. He has no right to buy from a company for a particular price when he could get a lower price elsewhere.

And Allah knows best.