

7294 - Does Islam permit bidding in auctions?

the question

I am working for an Internet Auction company. I want to know if Islam permits bidding in auctions.

Detailed answer

Praise be to Allah.

Firstly:

Islam permits selling by auctions and does not forbid it, according to the most correct and well-known opinion of the scholars. This is based on the following evidence:

1. Jaabir said: A man had decided that a slave of his would be manumitted after his death, but later on he was in need of money, so the Prophet (peace and blessings of Allaah be upon him) took the slave and said, "Who will buy this slave from me?" Nu'aym ibn 'Abd-Allaah bought him, and he (the Prophet (peace and blessings of Allaah be upon him) handed the slave over to him.

(Narrated by al-Bukhaari, 2034; Muslim, 997). Al-Bukhaari included this hadeeth in a chapter titled "Baab bay' al-Muzaayadah (Chapter: selling by auction)."

Ibn Hajar said: Ibn Battaal replied that the words of the Prophet (peace and blessings of Allaah be upon him) in this hadeeth, "Who will buy this slave from me?" indicate that he was offering him to the highest bidder so that the needs of the bankrupt man for whom he was selling him could be met.

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(Fath al-Baari, 4/354).

2. 'Ataa' said: I met some people who saw nothing wrong with selling booty to the highest bidder. (Narrated by al-Bukhaari in Kitaab al-Buyoo' (the book of sales), Baab bay' al-Muzaayadah (Chapter: selling by auction)).

Secondly:

Rational evidence:

In an auction, the vendor offers his goods for sale, and the purchaser offers to buy them for a certain price. If the vendor does not accept that price, that is the end of the matter and there is no transaction. Then he will say, "Who will offer more?" A second purchaser can then offer a higher price, and so on.

In this case, each offer is a separate and independent deal, and there is nothing wrong with that.

Thirdly:

Some scholars, such as al-Oozaa'i and Ishaq ibn Raahawayh, said that auctions can be used only to sell booty and inherited goods. Their evidence was the following hadeeth:

"The Messenger of Allaah (peace and blessings of Allaah be upon him) forbade anyone of you from seeking to outbid one another, except in the case of booty and inherited goods."

(Narrated by Ahmad, 5398; al-Daaraqutni, 3/11; al-Bayhaqi, 5/344; al-Tabaraani in al-Awsat, 8/198).

The response to the view is:

The hadeeth is weak, because it includes 'Abd-Allaah ibn Lahee'ah.

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The hadeeth of Jaabir is general, and the ruling remains general in application.

Hence Imaam al-Tirmidhi said:

On the basis of the hadeeth of Jaabir, some scholars did not see anything wrong with selling booty or inherited goods to the highest bidder.

Ibn al-'Arabi (may Allaah have mercy on him) said:

There is no point on restricting auctions only to these two kinds of goods. There is no difference between these goods and others; they are all the same.

(See Fath al-Baari, 4/354).

Fourthly:

Some scholars, including Ibraaheem al-Nakha'i, regarded this kind of sale as makrooh. Their evidence was the hadeeth of Sufyaan ibn Wahb:

"I heard the Messenger of Allaah (peace and blessings of Allaah be upon him) forbid selling by auction."

Response:

1. The hadeeth was narrated by al-Bazaar, but it is weak, because it includes Ibn Lahee'ah.

(See Fath al-Baari, 4/354).

It is contradicted by reports which are more sound, as we have stated above.

Fifthly:

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There is no contradiction between auctions and a man outbidding his brother, which is forbidden according to the hadeeth of Abu Hurayrah: “The Messenger of Allaah (peace and blessings of Allaah be upon him) forbade a city-dweller to sell to a Bedouin, and he forbade us to inflate prices artificially and to outbid one another.”

(Narrated by al-Bukhaari, 2033; Muslim, 1413).

What is meant by this hadeeth is when the vendor and purchaser have come to an agreement and are bargaining over the price, and a third party comes and tempts the purchaser to cancel the transaction. But this does not apply to auctions, because in an auction it is the vendor who cancels the transaction by asking who will offer more; the people who are present at an auction are already involved, and everyone is aware that anyone may increase the price.

Sixthly:

The warning against engaging in najsh (artificially inflating prices with a fraudulent intention). In Arabic the word najsh means provoking, and is also used to refer to the action of prodding a bird to enter a trap. It refers to pushing the purchaser to fall into the vendor’s trap so that he buys at an inflated price. This is achieved by having another man attend the auction and make bids without wanting to buy, in order to raise the price. Whether this is done by agreement with the vendor or not, it is prohibited by the hadeeth, “The Messenger of Allaah (peace and blessings of Allaah be upon him) forbade artificial inflation of prices.”

(Narrated by al-Bukhaari, 2035; Muslim, 1516).

In conclusion: auctions are one of the types of sale that are permitted according to Islamic sharee’ah. This is also the consensus of the Muslims in their marketplaces.