

## 150579 - Conditions of Murabahah

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### the question

I have a little knowledge about Murabahah transactions, and I hope that you can explain it in a way that will help us to avoid anything prohibited.

I am an employee in a company where we have a Murabahah system. I want to build a house, and I have applied for a Murabahah-based loan, but I have some questions:

1. Is it sufficient if the company only makes a contract with the construction materials dealer, or must the materials be moved to another place?
2. Right now, construction materials are expensive in our country. When the loan is given, is it permissible for me to ask the dealer from whom the company has bought the materials to keep the money until prices drop? I also want to wait until I get time off before I start work on construction.

### Summary of answer

The conditions of a permissible Murabahah include:

- 1- The customer tells the company about the products they want to acquire.
- 2- The company buys these products for itself.
- 3- The company takes possession of the products and moves them from the dealer's place.
- 4- The company sells the products to the customer after taking possession of them.
- 5- Once the company has sold the products to you, it is permissible for you to use them to build the house or to sell them.

### Detailed answer

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## **How does Murabahah work in Islamic banks?**

In a Murabahah transaction, you typically enter into an agreement with a company or bank to buy specific items, such as a car or building materials, with a promise to the company that when it buys the products and takes possession of them, you will buy products from them with a certain profit margin.

This [Murabahah is not a loan](#) , and calling this transaction a loan is wrong, unless the so-called Murabahah transaction is incorrect and the company did not buy the product for itself, rather all it did was finance the customer by giving him the money. In that case it is a loan; in fact it is a Riba-based loan because the company is asking the customer to pay back the loan plus an added amount.

## **What are the conditions of a valid Murabahah?**

The [correct form of Murabahah](#) involves the following steps:

1. One tells the company about the products that you want to acquire.
2. The company buys these products for itself.
3. The company takes possession of the products and moves them from the dealer's place. It is not permissible for it to sell the products to the customer before taking possession of them and moving them.
4. The company sells the products to the customer after taking possession of them.
5. Once the company has sold the products to you, it is permissible for you to use them to build the house, or to sell them in the marketplace in order to obtain cash, so long as you sell them to someone who has no connection to the company or the dealer who sold them to the company. It is also stipulated that you should sell them yourself, and it is not permissible for you to delegate the company to sell them for you.

If these conditions are met, then the Murabahah is valid.

The evidence that the company is obliged to take possession of the products and move them from the dealer's place is the report narrated by Ahmad (15399) and An-Nasa'i (4613), according to which Hakeem ibn Hizaam (may Allah be pleased with him) said: I said: O Messenger of Allah, I buy and sell things; what is permissible for me with regard to them and what is forbidden? He said: "When you have bought something, do not sell it until you have taken possession of it." (Classed as authentic by Al-Albani in Sahih Al-Jami', no. 342)

Ad-Daraqutni and Abu Dawud (3499) narrated from Zayd ibn Thabit (may Allah be pleased with him) that the Prophet (blessings and peace of Allah be upon him) forbade selling goods in the same place where they were bought, before the merchants moves them to their places. (Classed as authentic by Ibn Hiban and Al-Hakim; classed as sound by Al-Albani in Sahih Abu Dawud.)

Ibn 'Abbas (may Allah be pleased with him) reported that the Prophet (blessings and peace of Allah be upon him) said: "Whoever buys some foodstuff, let him not sell it until he has received it in full." (Narrated by Al-Bukhari (2132) and Muslim (1525), who added: Ibn 'Abbas said: I think that all things are like this, i.e., there is no difference between foodstuffs and other things in that regard.)

## **Connection between the customer and the dealer**

There is no connection between you and the dealer who sells the construction material, so you do not have the right to ask him to keep the money until prices drop, because the valid Murabahah transaction – as stated above – is the transaction in which the company must buy from the dealer. When the company has bought the products and taken possession of them, then it is your turn, which means that you buy them from the company. If the price of the materials is too high, then you can wait until prices drop, and then apply for the Murabahah deal.

For more details, please see these answers: [81967](#) and [13479](#).

And Allah knows best.