

174410 - He distributes products for someone else in return for commission; can he increase the price of the products?

the question

A man has offered me a job working with him as a distributor of medical products on the basis that he will give me a certain percentage of the profits, based on sales. For example, for every dozen I will get five dollars, on condition that I distribute this material in distant provinces. The owner of this business sent me a list with prices of the material, and I already made it clear to him that the people who will participate in the distribution process will raise the prices of the material, making them higher than the prices that he has set. He said that it is up to them, of course. Therefore, is it permissible to do the following: can I, as a distributor with other distributors working under me, change the prices either with the knowledge of the company owner or without his knowledge?

Furthermore, the one who is working under me will also change the prices of the inventory as suits him, after he takes responsibility for transporting it and getting the product to the people who want it, because the agreement with the company owner is that he will give a share to me only, regardless of whoever is working under me of local distributors.

The other scenario is: if it is not permissible for me to change the prices, then is it permissible for the one who is working under me to change the price list, so that this work will be beneficial for them, because they do not have the same agreement and they do not coordinate with the original company owner?

Hence the situation in general will be as follows:

The company owner provides me with a specific price list, which I change and send to the one who is working under me, who then changes it as suits him, then distributes the list to the consumers. If the consumer places an order, he will send the order to me and I will contact the company owner. The owner will then supply me with the order, so that I can send it to the local distributor, who in turn will deliver it to the consumer. Then the consumer will pay the price agreed upon, and the one who is working under me will send the money to me after deducting his share, then I will deduct my share as agreed upon,

which is five dollars for every dozen, along with the share that I stipulated in the price list after changing it. Then I will send the money as agreed upon with the original company owner.

If there is anything contrary to sharee'ah in this process, then what must we do to resolve this problem? Does this process come under the heading of selling something that one does not possess? Or is it the case that I have been entrusted with something and should not change anything even if that with the knowledge of the company owner?

Please note that my work will be in coordinating distribution and sending material to other provinces so that it will reach the local distributors. Also, for your information, the material will be sold to the consumer for prices that are similar to the market prices. Please advise us, may Allah reward you with good.

Detailed answer

Firstly:

There is nothing wrong with the process mentioned; it is very similar to the permissible type of brokerage, on condition that the company owner gives permission for the increase in price and that the product is sold for a price similar to the market price, so as to avoid causing harm to the purchasers.

It is only stipulated that the company owner should give permission for the increase in the price because the broker is in a position of trust, and whatever profits he makes should go back to his employer. He does not have the right to take the extra amount without permission.

It is not stipulated that the company owner should know the amount of the increase. So he may say: "Sell it for ten, and anything more than that is yours."

If the owner says, "Sell it for such and such, and anything more than that is yours," this is something that was allowed by some scholars, as is the view of Ahmad and Ishaq (may Allah have mercy on them), and was narrated from Ibn 'Abbaas (may Allah be pleased with

him). They regarded this as being akin to mudaarabah (where investors provide capital and others supply their expertise and effort, and the profits are shared between them).

Al-Bukhaari (may Allah have mercy on him) said in his Saheeh:

Chapter on the fee of a broker: Ibn Sireen, 'Ata', Ibraaheem and al-Hasan did not see anything wrong with the fee of a broker. Ibn 'Abbaas said: There is nothing wrong with saying, "Sell this garment and anything more than such and such is yours." Ibn Sireen said: "If he says, 'Sell this and whatever profit you make is yours, or will be shared between you and me,' there is nothing wrong with that." The Prophet (blessings and peace of Allah be upon him) said: "The Muslims are bound by the conditions." End quote.

Ibn Qudaamah (may Allah have mercy on him) said in al-Mughni (5/86):

If he says, "Sell this garment for ten, and anything more than that is yours," that is valid and he is entitled to the extra amount. But ash-Shaafa'i said: It is not valid; however, we may note that Ibn 'Abbaas did not see anything wrong with that, and because he is disposing of his property with his permission. This is like the case of mudaarabah and musaaqaah (when trees are given to someone to tend and irrigate in return for a share of the harvest). End quote.

Secondly:

This does not come under the heading of selling that which one does not possess, because your work and that of those who work with you is telling people about the product and selling it on behalf of its owner who does possess it, in return for the commission you asked about.

You are not selling an item that you bought but did not take possession of, and you are not selling on your own account; rather you are selling an item that belongs to someone else as an agent; the broker is an agent working for a fee and is not buying from the owner.

And Allah knows best.