

Dear Rabbi,

I have a rare opportunity to purchase a home from an elderly Jewish gentleman for a price considerably below market value. This would enable my family to live in my neighborhood of choice that I ordinarily could not afford. The man plans to relocate to a retirement complex, and is very happy to be getting so much more than he paid for the home nearly 50 years ago. My question is: the man is willing to accept my offer because he is clearly out of touch with today's market prices. If he would know, I don't know if he would accept the price he's agreed to, (although he certainly could find out today's value if it was important enough to him to check into it). Is it ethical to take advantage of his lack of knowledge, or do I need to inform him of the market value before finalizing the purchase?

David G.

Dear David,

It's very praiseworthy of you to put ethical considerations before such a unique opportunity for you and your family. That's a great lesson on its own right!

The Torah exhorts, "When you make a sale to your fellow Jew or make a purchase from the hand of your fellow, do not aggrieve one another" (Vayikra/Leviticus 25:14). The Talmud explains this to mean that the Torah prohibits both overcharging a buyer and underpaying a seller. Prices must reflect the true market value of an item. The definition of overcharging or underpaying in Jewish law is to overcharge or underpay more than a sixth of its true market value. (Code of Jewish Law, Ch. M. 227:1).

There is a dispute among the sages if we can presume that a merchant is aware of the true market value of his wares. (Bava Metziah 51). Jewish Law (ibid) says that we have no right to make such assumptions, as even the most experienced merchants make mistakes. We therefore would need to notify the merchant if his asking price is more than one sixth below market value, as perhaps he has made an error. If the merchant, once informed, still agrees to go with the original asking price, one can then take advantage of that opportunity.

Jewish Law even goes a step further. Even if the sale was completed and the merchant later finds out his mistake, he has the right to call back and annul the sale, and the purchaser cannot withhold the merchandise. Similarly, the purchaser has the right to annul the sale and get his money back if he later finds out he was overcharged by more than a sixth of the market price. The latter is the more common scenario, although the first scenario is also quite common, like your situation.

In your situation, you would be required by Jewish law to inform the seller of his home if the price he's charging is over a sixth less than the market price. Even when the discrepancy is less than one sixth and to take advantage would not be a transgression of the above law per se, it is still considered ethical and praiseworthy to inform the seller of his mistake.

In our economy, laws of supply and demand determine market prices. Vendors are free to charge whatever they please. Under normal circumstances, as long as a seller does not mislead an unsuspecting buyer, there are few legal restrictions on the prices that a vendor may charge, or a buyer pay. The Torah takes a very different approach when it comes to two Jews. We are required to look at every fellow Jew as our immediate family. With family, one must go beyond what is accepted in societal and economical norms. With this outlook, I'm sure that you will find a home that will be a true blessing for your family, with a foundation of Jewish ethics which will render your home an eternal one.

For more info. on setting the market value according to the Torah and about this law in general, see "Business Halachah" Artscroll Pub. Pp. 33-41.