

Consumer Affairs Victoria

eCommerce Factsheet

Online Auctions

December 2004

Online auctions are a great place to pick up a bargain on anything from carousel horses to rare LPs. If you're not careful, they're also a great place to get ripped off. Here are a few things to keep in mind the next time you bid online.

Need more information?

Call Consumer Affairs Victoria Helpline on 1300 55 81 81

Key Term

Escrow service – an independent third party which holds payment in trust until the buyer receives and accepts the goods from the seller.

Online Payment Service – allows buyers to use a credit card or electronic bank transfer to pay sellers who may not be set up to accept credit card or electronic bank transactions.

The role of the auction house

Like traditional auction houses, auction websites offer places for people to buy and sell through competing bids. They can also operate like newspaper classifieds, offering various goods at a fixed price.

It's important to realise that when you buy from a typical auction site like eBay, you are buying from another individual (or sometimes a business), not the auction site itself.

Indeed, most auction sites have disclaimers limiting or waiving liability for either the conduct of buyers/sellers or the condition of the goods being auctioned.

The difficult thing with this set up is that it is hard to establish if the person you are actually buying from is trustworthy.

Consumer issues

Most complaints about Internet auctions have to do with sellers who:

- Don't deliver the goods
- Deliver something which doesn't match the online description
- Don't deliver in a timely way
- Fail to disclose all the relevant information about the product or terms of sale.

Some complaints also concern goods that have been damaged in transit.

How do I avoid problems?

Most internet auction frauds occur where you are dealing with an unknown third party such as individuals, small businesses or retailers.

Here are some simple steps you can take to minimise the risk:

1. Read before you buy
Read the terms and conditions of the auction company's website.
What is the website's privacy policy? Learn about the product, read descriptions carefully, and look out for whether it comes with a warranty, who is responsible for safe carriage/delivery of goods, what the returns policy is, and who pays for shipping.
2. Verify the seller's identity
Before bidding or providing any personal information to the sender, verify the seller's identity and contact details. If they don't (or won't) provide you with them, ask yourself why? Contact them and learn more about them.
3. Check the seller's 'form' or history
Many auction houses have feedback forums where you can find out about the previous conduct of a seller who has traded with the auction house before. It is a good idea to use this facility to check out the seller before agreeing to pay any money. However, don't rely on this feedback alone. It is open to abuse.
4. Negotiate the method of payment
Sellers may accept a credit card, bank cheque, money order, or an online payment service such as PayPal. Where possible, you should use your credit card or an online payment service linked to a credit card. It is somewhat safer because you can dispute the charges if the goods don't arrive or do not fit their description. In Australia, many financial institutions offer similar protection against unauthorised use of credit cards and have a chargeback policy against sellers who fail to deliver. Be aware that banks may impose a time limit for charges to be disputed. You should always think twice before paying directly into someone else's bank account before you receive the product.

5. Use an escrow agent
Consider using an escrow agent, especially for more expensive items. This service comes at a fee, usually 5% of the final bid, however it protects buyers because they don't have to pay until the goods have been received and inspected. However, make sure you use a reputable agent and are wary of those you cannot find information on.
6. Consider insurance
Some Internet auction sites have "buyer protection programmes". Find out what is on offer and what free protection already applies to your use of each site.
7. Be wary of offers of quick deals
Be sceptical when sellers try to entice you to trade outside of the site. You may be less protected.
8. Protect your passwords
Watch out for "spoof" e-mail messages that appear to come from an auction site asking for sensitive information like passwords and credit card details. Companies should never ask you to provide sensitive information using e-mail.

What to do if things go wrong

If the item doesn't turn up, is faulty or not what you expected:

1. Contact the seller directly
In most cases, the buyer and seller can negotiate a solution.
2. Try a third party mediation service
A third party mediation service, such as SquareTrade, will attempt to contact the other person and attempt to solve any dispute fairly.
3. Try to organise a 'chargeback'
If you receive no redress and have paid via credit card, contact your bank to see whether they offer a 'chargeback' service. A 'chargeback' effectively reverses the credit card charge, and is similar to a refund. To organise a chargeback you will need to provide copies of your transaction (including the item description and seller identification) and any correspondence between you and the seller.
4. File a complaint with the auction site
Most sites have a feedback forum on sellers. You can use this to warn the auction house and other potential buyers of unscrupulous traders.
5. File a claim with the auction site.
Some auction websites also have a limited insurance policy, or "buyer protection programmes" for buyers. You should only file a claim if you have been unable to charge back the transaction.

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6. Contact Consumer Affairs Victoria

If none of these measures is effective, contact Consumer Affairs Victoria on our Helpline – 1300 55 81 81. You may also file a claim with VCAT (the Victorian Civil and Administrative Tribunal) to get your money back.

7. Contact the local Consumer Affairs agency

If the seller is located in another State, you should contact the relevant state fair trading or consumer affairs agency.

More information

Information on eCommerce is available from:

**Consumer Affairs Victoria
Victorian Consumer & Business Centre**

113 Exhibition Street
Melbourne 3000

Telephone: 1300 55 81 81

Website www.consumer.vic.gov.au

Useful contacts

Australian Consumer & Competition Commission (ACCC)

The ACCC publishes safety guidelines and FAQs about online shopping. Call 1300 302 502 or visit their website on www.accc.gov.au

Consumers Online

The Commonwealth Government's one-stop site for consumer information in Australia. Visit their website on www.consumersonline.gov.au

Econsumer.gov

This website, maintained in the US by the Federal Trade Commission, provides a way to lodge cross-border complaints with consumer protection agencies in a number of different countries. You can lodge complaints at www.econsumer.gov

Further reading

Consumer Affairs Victoria has a range of eCommerce related factsheets:

- Buying a Computer
- Internet Service Providers
- Shopping Online
- Online Privacy
- Online Security
- Online Scams
- Online Auctions
- Getting a Refund on the Web
- Top 10 Tips for Shopping Online
- Domain Names
- Spam



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Victoria



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