

Consumer Reports WebWatch Cybercrime Prevention Project Fact Sheet #3: Online Auction Rip-Offs

This is the third consumer fact sheet in the Consumer Reports WebWatch “Look Before You Click” campaign, supported by a grant from the New York State Attorney General’s office, to help educate New York consumers about Internet fraud. This is also the first of three fact sheets on auction fraud.

Millions of people around the world buy and sell goods online through auction Web sites such as eBay, uBid, eBid, Yahoo! Auctions, Overstock and others. And most people transact quite happily. But the fraud potential is high during an online auction, and getting the most out of your auction experience requires some advance preparation.

Here’s what to keep in mind before you participate in an online auction:

1. Think of an online auction like a flea market, and an auction Web site as the building in which the flea market is happening. If something went wrong with your purchase at a flea market, you probably wouldn’t go looking for the building manager before trying to settle the matter first with the merchant. Online auction sites are venues for transactions, and the majority make detailed disclaimers about that. So, the responsibility is on the buyer and the seller to engage in a transaction both are happy with.
2. Winning an auction is like signing a legal contract, binding buyer and seller with some rules. In a timely fashion, you should receive the merchandise you paid for, and the buyer should receive payment.
3. Learn something ahead of time about the merchandise you are planning to buy. Comparison shop among retail sites. Ask yourself some basic questions before getting involved in an auction: Am I OK with a used leather jacket, or do I want a new one? Both new and used goods are available on auction sites, from individual sellers to chain retailers.
4. Consider how you will pay for what you win. Many sellers accept direct payment via a service such as PayPal or BidPay. Many buyers won’t do business with sellers who don’t accept such payment services. If a buyer won’t accept your preferred method of payment, don’t do business with that buyer – but know this before you get involved in an auction. Read the auction page thoroughly. Most sellers spell out clearly towards the bottom of the auction page what types of payment they will accept.
5. Are you buying a big-ticket item? You may be tempted to use an escrow service, a third party which holds on to your money while you and the seller make an arrangement to inspect the goods on offer. The trouble with escrow sites, which have sprung up by the thousands to cater to nervous online buyers of big-ticket items such as automobiles, is that the vast majority are fraudulent, according to the U.S. Federal Trade Commission. In early 2003, about 10 fake escrow sites surfaced each month. The rate climbed to 25 a month by 2004. One legitimate service, Escrow.com, says it gets reports of six times that number, with many of the bogus sites stealing Escrow.com’s graphics and logo. (Escrow.com highlights the problem in detail prominently on its home page, and links to a purposefully phony site set up by law enforcement agencies and industries: LooksTooGoodToBeTrue.com)

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