

Consumer Reports WebWatch Cybercrime Prevention Project Fact Sheet #4: How to Spot Auction Fraud

This is the fourth 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 second of three fact sheets on auction fraud.

Now that you’ve read our tips to consider before you bid in an online auction, we’ll talk about the basic types of auction fraud, the number one Internet complaint among New York state consumers. Though online auctions can be a good source of bargains, and a great venue for unusual goods and specialized items for collectors, they also provide a number of opportunities for con artists.

The basic types of auction fraud are:

- Misrepresentation of merchandise. You win an auction for a hockey stick autographed by all 22 players on the 1998 New York Rangers. You pay the seller, the stick arrives, but Mark Messier’s signature is missing. (The situation can, of course, get far worse. We’ll talk about that later.)
- Failure to ship merchandise. You pay the seller but your stick never arrives, and the seller ignores your attempts to make contact, or claims the stick got lost in the mail.
- Failure of merchandise to actually exist. You participate in an auction for five brand new laptops from a seller in Romania. You pay the seller and things progress from there – but you get nothing. And when you try to reach the seller, you hear nothing but silence. Chances are those laptops didn’t exist in the first place. Hopefully, if you’ve read our fact sheet number five, you’ll know enough not to let this happen to you.
- Shipping substandard or counterfeit merchandise. You’re the high bidder in a \$150 auction for a Gucci bag. You pay the seller but when the bag arrives, it’s a genuine knockoff, made of synthetic leather. Perhaps it’s monogrammed “Goochi of Lagos, Nigeria” for good measure. And, of course, the seller ignores your e-mails.
- Bid rigging. The seller collaborates with others (called shills) who participate in the auction solely to drive up the price of the item up for bid. The scam is also called shill bidding.
- Soliciting. During the course of the auction, the seller (or someone else) writes to you and says they have more of the item you’re looking for but at a cheaper price if you bypass the auction and communicate directly. A variation: You lose the auction, but afterwards, the seller (or someone else) writes to you to tell you he’s got more of the item you want, but you can get it for a set price by dealing direct.
- Invoking mysterious fine print. You buy a rare stamp, pay the seller, and when you receive it, you discover it’s a worthless forgery (actually, in stamp collecting, some forgeries are worth more than the real stamps, but we’ll leave that topic for another time). When you complain, the seller points out the auction page, where at the bottom is written, “Seller makes no guarantee of object’s authenticity. Sold as-is. No refunds. Consider before bidding.” There is some debate over whether this is actually fraud, but a number of sellers use elusive language to make legally shaky disclaimers.

Taking some basic precautions, as we outlined in tip sheet number five, should help you avoid some of these kinds of pitfalls. For more on what to do after the auction, see fact sheet number seven.