

INTERNET AUCTION FRAUD

By Jane M. Winand, Chief, Legal Assistance Division

Internet auctions are very popular today. Military members stationed overseas often resort to the Internet and auction sites to purchase items not readily available at their assignment location. These auction sites match up buyers and sellers of goods and services. Bidding is done by sending electronic bids to the web sites. When the bidding is done and an agreement for sale is reached, the buyer and seller communicate by e-mail about the terms of payment and shipment and complete the transaction through the mail. The problem is that it is sometimes difficult to distinguish between legitimate sellers and con artists. Also, there is no way to verify the existence or quality of the goods being offered for sale.

As a buyer, you may minimize your risk by paying for the goods with a credit card. Most credit card companies allow the consumer to seek a credit from the company if the product is not delivered or if the item received is not what the consumer ordered. Some sellers may agree to send merchandise COD (cash on delivery) which allows the buyer to pay when the item is received. Unfortunately, some sellers, especially individuals, require payment by money order or cashier's check. Such a method of payment gives the buyer no protection in the event the delivered item is defective or otherwise not what the buyer bargained for. Another option is to have the seller agree to the use of an escrow service. For a fee paid by the buyer, usually 5 percent of the cost of the merchandise, the escrow service releases the money to the seller only after the buyer has received and approved the item. Of course, using an escrow service will slow down the process. The consumer should investigate the reputation of the escrow service before arranging for such a service.

The Federal Trade Commission offers the following tips to Internet auction buyers:

1. Verify the seller's identity. Get the seller's phone number and use it to confirm that you have a way other than e-mail to make contact.
2. Check the seller's ratings from other buyers. Many auction sites post feedback ratings from buyers. Be careful of false ratings anonymously filed by a seller to boost the seller's rating.
3. Before bidding, determine the method of payment required by the seller. If only cashier's checks or money orders are acceptable, decide whether you are willing to take the risk of sending payment before receiving the product.
4. Determine who is responsible for shipping and delivery costs. Express delivery may be available for an extra fee paid by the buyer.
5. Check on the seller's return policy to include refunds, return shipping costs and restocking fees.
6. If you have any questions, contact the seller before placing your bid.
7. Do your research. Know the product and the relative value of the item before you place a bid. Just because merchandise is available on an auction site does not mean it is a good deal.
8. Study the photo and read the advertisement carefully. Look for words like "refurbished", "close-out", "discontinued" or "off-brand", especially if you are buying electronic or computer equipment.

9. Determine whether the merchandise comes with a warranty and where follow-up service will be available for the product. Many sellers don't have the facilities or expertise to provide service or repairs.
10. Check out what protections the auction site may offer buyers. Some sites provide free insurance or guarantees for items that are not delivered or do not meet expectations set forth in the advertisement.
11. When bidding, never give out personal identifying information such as your Social Security Number, bank account number or driver's license number. Sellers should not need this information.
12. Save copies of all transaction information, to include all e-mails from the seller or the auction site, and note the seller's identification, the item description, the time and date of the sale, and the price you bid.

If you have a problem with a transaction, try to resolve the situation directly with the seller or with the auction web site first. If that is unsuccessful, file a complaint with the FTC by calling 1-877-FTC-HELP (382-4357) or visiting the FTC's web site at www.ftc.gov. Although the FTC cannot resolve individual complaints, it can take action against a company if it discovers a pattern of possible violations of the law. You may also contact your state Attorney General or your local consumer protection office. Additional information on Internet auctions may be obtained from the Federal Trade Commission at www.ftc.gov. Should you have any additional questions regarding consumer issues, you may call the Fort Meade Legal Assistance Office and make an appointment to speak with an attorney. The number is (301) 677-9762.