



# Online Auctions

From the Office of Minnesota Attorney General Keith Ellison

Online auctions provide access to products and services sold from businesses and individuals all over the globe. As a result, consumers need to use caution with online auctions—as they don't know who might be behind the products or services purchased.

Online auctions are generally online trading communities where individuals and businesses buy and sell a wide variety of products and services. At the auction website, consumers can often search by product type, name, description, etc. The website then produces a list of items identified in the search. The bidding status of any particular item can be displayed and consumers can watch the bidding process of items and make bids themselves. If the consumer has the highest bid when the auction ends, they win the item.

When a bid is won, a consumer must choose how to pay for the item. The seller may be an individual or a business unknown to the buyer. This may lead to the lack of physical information, such as addresses and phone numbers of businesses and individuals. Warranties, returns and refunds may be useless or nonexistent. Consumers may not know if the product they are buying is authentic. If the item is from a private individual, it may be impossible to discover this until after an item is purchased.

Consumers purchasing goods or services through an online auction should take precautions. Before you think of making a purchase through an online auction, consider the following tips.

**Understand the auction.** Does the online auction verify if merchandise actually exists? If so, what kind of information exists, and how much? Find out what the auction company will do if merchandise is not delivered as expected.

**Investigate the seller.** Check out the auction company and seller with the Better Business Bureau, Secretary of State, and State Attorney General offices. The auction

site may have a feedback section as well, where users can vent their frustrations or complaints.

**Be cautious in dealing with private individuals.** If the seller is a private individual and/or in another state, it may be impossible to resolve a problem.

**Get important information.** In case something goes wrong, get the street address, phone number, owner's name, and any other information regarding the company or individual.

**Understand deliveries, returns, refunds, and warranties.** Ask the company about delivery time, if it has a written return or refund policy, and what kind of warranty is available.

**Question unique orders.** Remember that you have not seen the merchandise in person. If it's a collectible, it may not be authentic.

**Pay the safe way.** In any Internet transaction, requesting cash may often be a sign of fraud. You may want to try paying by credit card, but you should exercise great care before releasing your credit card number over the Internet. You may wish to ask your credit card company about a one-time use card number—to be used for that purchase only—to avoid becoming a victim of identity theft. If the goods are misrepresented or never arrive, you can dispute the charge, and the number cannot be used again. In addition, consider checking if the auction offers an escrow agent. With this, you pay into the escrow account, and the seller doesn't get the cash until you have the product. Cash on delivery (COD) can also be used.

If you have been victimized using an online auction, let the auction know. They may want to know about sellers who do not deliver on their promises. You can also contact the Minnesota Attorney General's Office Citizen Assistance Line at (651) 296-3353 (Twin Cities Calling Area) (800) 657-3787 (Outside the Twin Cities).