

# FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer and Business Education

## Online Auctions: Bidders Be Wary

Online payment and escrow services have become extremely popular in the Internet auction world — and for good reasons: Online payment services allow buyers to use a credit card or electronic bank transfer to pay sellers who may not be equipped to accept these kinds of transactions. Online escrow services accept and hold a buyer's payment until the merchandise is received *and* approved; then, they forward the payment to the seller.

But the Federal Trade Commission (FTC) is advising online buyers — and sellers — to be alert to phony online payment and escrow services. The consumer protection agency says that occasionally operators of these sites pose as sellers and buyers to improperly obtain money or goods.

How can you determine whether an online payment or escrow service is legitimate? The FTC offers these tips:

- Read the service's terms of agreement. If it's an online payment service, find out whether it offers buyers any recourse if sellers don't keep their end of the bargain, whether it prevents sellers from accessing their funds if buyers are not satisfied with the product, and who pays for credit card charge backs or transaction reversal requests.
- Examine the service's privacy policy and security measures. Never disclose financial or personal information unless you know why it's being collected, how it will be used, and how it will be safeguarded.
- Check out the online payment or escrow service's Web site. Sites that are of poor quality, say, with misspelled words, or that claim to be affiliated with the government are suspect.
- Call the customer service line. If there isn't one — or if you call and can't reach someone — don't use the service.
- Be suspicious of online escrow services that can't process their own transactions, but rather require users to set up accounts with online payment services.
- Check with the Better Business Bureau, state attorney general or consumer protection agency where you live and where the online payment or escrow service is based to see whether there are unresolved complaints against the service. Be aware that a lack of complaints doesn't necessarily mean that a service has no problems.
- Read *Internet Auctions: A Guide for Buyers and Sellers* at the FTC's website ([www.ftc.gov/onlineshopping](http://www.ftc.gov/onlineshopping)).

The Federal Trade Commission works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or to get free information on consumer issues, visit [www.ftc.gov](http://www.ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.