

# INTERNET AUCTIONS

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You can buy something new, find rare collectibles or sell antiques at Internet auction websites. But scammers also use Internet auctions to try to rip off consumers. The complaints generally deal with late shipments, no shipments, or shipments of products that aren't the same quality as advertised or even bogus online payment services. Whether you are the buyer or the seller, understanding how internet auctions work can help you avoid these problems.

## PROTECT YOURSELF WHEN BIDDING ONLINE

- **Study the item you plan to bid on.** Read the written description and look at photographs. Look for words that tell you how old the item may be or its condition such as "refurbished", "close out", or "off brand".
- **Find out the value to be sure you're getting a good price.** Sometimes, the price you'll pay through an online auction is more than you'd pay at a regular store.
- **Learn about the seller.** Ask for the seller's name, street address, telephone number, and email address and verify what they tell you. If they won't give you this information, don't buy from them.
- **Ask questions about the item.** Email or call the seller with your questions. If you don't get an honest answer or don't like the answers you get, don't bid on it.
- **Check shipping costs.** Ask who pays for shipping, and if you'll pay extra for certain delivery options.
- **Set your maximum price and don't go over it** when you bid. Also, don't bid on an item you don't plan to buy. If your bid turns out to be a winner, you'll have to pay for the item.
- **Ask about returns.** Some sellers will offer a short-term refund period, often minus shipping. In addition, shipping costs may be very expensive. Find out the terms and when you can expect your money back if dissatisfied.
- **Use a credit card to pay.** If you don't get the item, you can dispute the charge with your credit card company.
- **Credit Card not accepted?** If the seller won't take a credit card, consider using an escrow agent or paying by COD. For a fee, the escrow agent will collect both your payment and the product and handle the delivery of each. If the seller selects an unfamiliar escrow or online payment service, check it out before you use it.
- **Keep records.** Save and print all emails related to the auction, the description and picture of the item, the seller's contact information, and the time, date and amount of your bid.

SOUTH DAKOTA OFFICE OF ATTORNEY GENERAL

**CONSUMER  
PROTECTION**

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**1-800-300-1986**

This handout is for informational purposes and should not be construed as legal advice or as a policy of the South Dakota Attorney General. If you need advice on a particular issue, you should consult a private attorney or other experts.

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- **Beware of sellers who contact you after an auction has closed.** These sellers may try to lure you to pay by using a wire service, instead of a credit card or online payment service; in many cases these are an outright SCAM!

**Watch for these red flags when buying items thru online auctions** (*Scammers will use many combinations of these red flags in their attempts to take your money*):

- The price of the item is too good to be true;
- The item is being sold due to the seller being in the military and being deployed;
- The item is being sold because the seller obtained it in a divorce and does not need it;
- The item belonged to a deceased family member or friend;
- The item is located in a different state from the seller;
- The seller will only communicate thru text messaging or email; and
- The seller wants you to pay via wire transfer such as Western Union and MoneyGram.

**Watch for these red flags when selling items thru online auction:**

- The buyer will only communicate thru text message or email;
- The buyer will agree to purchase the item without asking any questions about it; and
- The buyer will send a check for more money than the selling price of the item, and they will want you to wire the extra money to their shipping company.

## **PROTECT YOURSELF WHEN YOU SELL ONLINE**

Watch out for counterfeit checks and money orders from buyers. Scammers will sometimes try to purchase items posted for sale on legitimate websites using very real-looking counterfeit checks.

Never agree to wire excess money back to the buyer or to someone else. Scammers will send a counterfeit check for more than the purchase price and ask you to wire back the extra money, which will end up coming out of your bank account even after the check is discovered to be a fake.

## **BENEFIT AUCTIONS**

A benefit auction is an auction organized by a religious, benevolent, fraternal organization, youth association or charitable activity to raise money for a religious, benevolent, youth or charitable purpose. A charitable purpose includes raising money for a family in need, such as a home destroyed by fire or flood, or a person with large medical bills.

If all the items are donated, the gross receipts from a benefit auction are not subject to sales tax. Retailers owe use tax on the cost of donated items that are taken from tax unpaid inventory. Items donated directly to exempt entities are not subject to use tax. Clerking and auctioneer services provided at no charge are not subject to sales tax