

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

Going, Going, Gone:

Using Wire Transfers for Internet Auction Purchases Can Be Risky

Internet auction sites give buyers access to an incredible array of merchandise from around the world. And while many people are thrilled with their purchases, others have learned that transactions between buyers and sellers can be risky. The Federal Trade Commission (FTC), the nation's consumer protection agency, says that buyers can reduce their financial risk when they're shopping on Internet auctions by not using wire transfers to pay for their goods.

Wire transfers can be useful when you want to send funds to someone you know or trust — but they are not appropriate when you are doing business with a stranger. Why? If you wire money to buy an item from an Internet auction site — either through a money transmitter or directly to someone's bank account — and something goes wrong, it is very likely that you will lose your payment and have no recourse.

Be suspicious of sellers who insist on cash wire transfers as the only form of payment they will accept. Ask to use another method of payment. If the seller insists on a cash wire transfer, it's wise to call off the transaction. The seller's insistence on a wire transfer is a signal that you probably are not going to get your item, and that you will lose your money.

In fact, to protect buyers and sellers, some auction sites now prohibit the use of wire transfers; most cash wire transfer companies also are warning consumers not to use their services to buy merchandise from sellers they don't know personally.

Some Scams Start With “Second Chance Offers”

Nevertheless, scam artists pretending to be legitimate sellers continue to use a number of tricks to get potential buyers to wire them cash. A typical one is the “second chance offer” to losing bidders. The fraudster wants to “lure” the losing bidder off the auction site in an attempt to get him or her to wire funds. The scammer sends a message that claims to be from the auction site telling the buyer to wire payment. It looks real, but it's a fake.

Other trick lines that investigators have seen to get unsuspecting buyers to wire funds:

“Our credit card account (online payment service) is having technical difficulties.”

“We've had problems in the past with buyers who pay with online payment services.”

“We'll provide insurance for your wire transfer.”

“We'll pay the fee for the wire transfer.”

Safer Payment Alternatives

Successful bidders have many payment options to choose from when using Internet auction sites. Credit cards and online payment services (they often accept credit card payments) are safest. Other options include debit cards, personal checks, cashier's checks, money orders, or escrow services. Some sellers limit the types of payment they accept; many post that information on their auction listings.

As a rule, credit cards offer buyers the best protections. Online payment services offer some protections; look for them in the terms and conditions section of their websites. High volume sellers often accept credit cards directly, but don't count on many small-scale sellers to send an item until they've received your cashier's check or money order.

If you suspect an online auction transaction is fraudulent, report it to the FTC at ftc.gov. If the transaction violates the auction company's policy, report it to the company, too. For other ways to avoid auction fraud, visit OnGuardOnline.gov/auctions. OnGuardOnline has practical tips from the federal government and the technology industry to help you stay on guard against Internet fraud, secure your computer, and protect your personal information.

The FTC 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 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.

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