

Consumer Corner

Avoiding The Pitfalls Of Online Penny Auctions

(NAPS)—Some people find online penny auctions to be a fun way to try to get big-ticket items at reduced prices. But the Federal Trade Commission (FTC) cautions that because penny auctions move fast, you could spend far more than you intended—with no guarantee that you'll get anything in return.

In a penny auction, you pay to bid on items. For starters, you may have to pay a fee just to register for the site, which can be substantial. Then, you have to buy a "bid package." Additional bids cost more.

The price of auction items usually starts at zero, and each bid bumps the price of the item up a penny. Each bid also adds time—from 10 seconds to 2 minutes—to a countdown clock. The goal is to be the high bidder when the clock runs out. But because the clock resets with each bid, the auction process can be unpredictable and take time to complete.

Winning an auction doesn't mean you've won the auction item: It means you've won the right to buy the item at the final price. For example, say you win an auction for a laptop that has a \$500 retail price tag. You placed 200 bids that cost \$1 each. The final price on the laptop is \$50. The laptop will actually cost you \$250, plus shipping and handling, and possibly a transaction fee.

If you lose an auction, chances are you've lost your money.

The FTC says that if you're thinking about participating in an online penny auction, take some precautions:

- **Avoid doing business with sellers you can't identify.** Check out any penny auction site



Many complaints about penny auctions involve late shipments, no shipments or shipments of products that aren't the same quality as advertised.

by entering its name in a search engine online. Read about other people's experiences.

- **Consider how you'll pay.** Don't send cash or use a money wiring service. Instead, consider using a credit card. That way, if something goes awry, you can dispute the charge with your credit card issuer.

- **Know exactly what you're bidding on.** Print a copy of the seller's description of the product and read it closely, especially the fine print. Save copies of all e-mails you send and receive from the auction site, too.

- **Beware of bid bots.** Some unscrupulous auction sites use computer programs that automatically bid on behalf of the website as a way to extend the auction and keep people bidding (and spending money) as they chase the "win."

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace. To learn more, visit www.FTC.gov.

Did You Know?

In a penny auction, you have to pay to bid. That's one reason, according to the Federal Trade Commission (FTC), it's easy to spend more than you intended. Also, consumers sometimes don't get the products they expected. To learn more, visit www.FTC.gov.

When consumers bid on products in a penny auction, they can sometimes get a deal. /// Avoiding The Pitfalls Of Online Penny Auctions

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