



Auctions

Buying and selling at auction – the basics



The legal protections you have when you buy goods being sold at an auction house are different from other types of sale. When your bid is accepted by the auctioneer, you have entered into a legal agreement or contract to buy the goods, even though it is not yet in writing.

There are also some things you should know when deciding whether to sell goods at an auction house.

[Different rules apply to online auctions.](#)

Before you buy

Check the terms of sale

The auction house must make their terms of sale clear to bidders at the time of the sale or before the auction commences. If the auction house does not do so the successful buyer cannot be held to those terms. The auction house will often require you to register and sign an agreement if you intend to bid. This will contain some of the rules of the auction that you need to know about before you bid. Some typical rules may be:

- buyer's premium of 10 per cent to be added to price
- goods must be collected on the same day
- payment will only be accepted in cash or bank cheque
- buyer to arrange own delivery.

Know what laws do and don't apply

[The Fair Trading Act applies to auction sales.](#) Auctioneers must not mislead or deceive bidders as to the service they offer or the goods for sale.

Auction sales are not covered by the Consumer Guarantees Act

You do not get the same level of protection when you buy at an auction as when you buy in other retail situations such as at a store.

Goods bought at auction may be subject to the Sale of Goods Act requirement of "merchantable quality" which means the goods should do what they are supposed to do and be of reasonable quality given the price.

But this protection can be removed by the auction house. There must be a sign displayed, or a statement in the sale catalogue, or a verbal statement made at the auction that the Sale of Goods Act will not apply.

Plan your bid

Examine the goods before you bid - auctioneers normally hold inspection days before the auction so you can check the lots that interest you.

Decide your upper spending limit and don't bid more than you want to spend - once the hammer hits the table, the goods are yours. Check the terms of sale – additional costs could be the buyer's premium and cost of having the goods delivered.

Selling at auction

Reserve price

People expect to get a bargain at an auction so you may want to put a 'reserve' price on the goods you are selling. This means the goods cannot be sold for less. If goods do not "reach reserve" they are "passed in". The auctioneer will advise you of the highest bid to see if you willing to sell at that price.

Valuation of goods

If the goods are unique or special in some way you may want to get an independent valuation to establish a reasonable reserve price.

An auctioneer may not want to sell your goods if they think your reserve price is too high. To prevent misunderstandings, talk to the auctioneer about your expectations.

Specialty auctions

Speciality auctions attract buyers interested in the type of goods up for auction, Consider finding an auctioneer that specialises in the type of good you are selling. Some auctioneers offer a range of special interest auctions such as antiques, memorabilia, stamps and coins. Others may specialize in office or commercial products such as computers, plant and machinery, or Police lost and stolen property auctions.

Read the auctioneer's contract

Always read a contract before you sign it. The contract should state the commission that the auctioneer will take. This is the price of the auctioneer's services and is often set at a percentage of the price the goods sell for. For example, the auctioneer may take commission of 15 percent or \$100, whichever is greater. If the goods don't sell for much, the auctioneer still makes \$100.

If your goods don't sell for much there may be little money left after the auctioneer takes their commission.

Don't sign a contract if you are unsure of any term in the contract. Discuss it with the auctioneer, a friend or a Citizens' Advice Bureau.

Got a problem with an auction?

If you have a complaint about an auctioneer you can write to:

Auctioneers Association of New Zealand Inc

PO Box 40-047

Upper Hutt

Website: www.auctioneers.org.nz

[Email](#)

Freephone: 0800 289 282

The Auctioneers Association can accept complaints from the public whether the auctioneer is a member or not. Complaints regarding members are handled at no cost to the complainant. Complaints against non-members are normally accepted subject to the complainant agreeing to meet the cost of toll calls and faxes.