



Online auctions

Online auctions: the basics

There are two types of online auction. The first is where the seller offers goods for sale at a specified price on a website and where buyers compete with each other online to place the highest bid for the goods. This type of transaction may include a 'Buy Now / Confirm purchase' option.

The second type of online auction is one that is 'streamed' in real time on the internet and where bidders are able to make bids electronically.

If you are selling property that you originally obtained for your own use, you do not have to hold a secondhand dealers licence to auction the property online.

If you are 'in business' as a 'second hand dealer' then under the Secondhand Dealers and Auctioneers Act you must hold a licence. You are deemed to be "in business" as a secondhand dealer if within 12 months you:

- buy secondhand articles or scrap metal for the purpose of trade on six or more different days; or
- sell, exchange or deal in secondhand articles or scrap metal on six or more different days, or so as to receive revenue of \$2,000 or more.

For more information on the Secondhand Dealers and Pawnbrokers Act, and a full list of secondhand articles as defined by the Act, see the [New Zealand Police website](#) (see Info4traders).

Before you buy or sell online

Use a reputable online auction website. Ask family, friends or workmates to recommend one they have used successfully. The site should:

- clearly state its terms and conditions, rules for buying and selling, and privacy policy
- provide a feedback facility where users can give feedback on buyers or sellers based on their experience
- offer a payment service.

Familiarise yourself with the bidding and/or selling process. How does it work? What are you required to do?

It is likely you will have to register by providing some personal information such as your name, address, date of birth and home phone number. Read the site's privacy policy on how it stores and uses this information.

See if the site offers access to a dispute resolution process. If you can't resolve a dispute yourself, it is reassuring to know you have the backup of the auction provider.

Disputes could be about:

- goods not delivered to the buyer
- payment not delivered to the seller
- goods of lesser value or very different from the description sent to the buyer
- goods delivered late
- failure to give relevant information about a product or terms of sale.

Tips for buyers

Before you place a bid

- Look carefully at the description and photos of the item you plan to bid on. If you need more information ask the seller for clarification.
- Consider how much this item would cost if you bought it new, or bought a similar item in a local auction or secondhand shop.
- Find out the delivery arrangements - you may be required to collect items yourself. Check any postage/freight costs you may have to pay. The item description should state who will be responsible for these costs.
- Check the seller's trading history on the auction site. Many sites post feedback ratings of sellers and buyers based on comments from users. If you find negative comments decide whether you want to trade with this seller.
- If buying from an overseas site, check what currency the prices are in and use an online currency converter to see how much that is in NZ dollars. Know what form of payment the seller will accept.

When bidding

- Establish your top price and stick to it.
- Keep a record of all item descriptions, bids you make and correspondence (eg emails) with the seller.

Paying

- Consider using a reputable payment service (sometimes referred to as an “escrow” service). This involves an independent third party that holds payment in trust until you receive and accept the item from the seller. Some sites promote their preferred service.
- Check out any payment service suggested by the seller before agreeing to use it.
- If buying from a company or using a payment service, consider payment by credit card. You may be able to reverse the charge on your credit card if you don’t receive the goods.
- Consider insuring expensive items against loss or damage in transit.

If receiving the item by post, request it be sent using a traceable courier service.

Keep a record of all transactions/receipts.

After the sale

Use the site’s feedback function so other buyers know what to expect. You may wish to comment on how quickly the seller responded to emails and sent your item and how well it was packaged. Feedback should be fair and accurately describe the issue or any problem you encountered.

Tips for sellers

Before you advertise an item

- Find out what fees the site will charge you. Charges should be disclosed to you.

Advertising your item

- Provide a full and accurate description of the item for sale.
- Where possible include clear photographs of the item from several angles with close-ups of any features or flaws. A picture is worth a thousand words.
- Set a realistic minimum price (reserve price) that you’re willing to sell the item for. If the reserve price is not met you are under no obligation to complete the sale.
- State who will pay for any postage/freight.
- State your return policy. Will you accept returns? What timeframe will you allow for a return? Will you give a full refund?
- If accepting payment by cheque, it may be wise to say the item will not be released until the cheque has been cleared.

Dealing with bidders

- Respond quickly to questions from prospective buyers.
- Keep a record of all item descriptions, bids made and correspondence with bidders.
- Contact the successful bidder as soon as the auction closes. Confirm the final cost and arrange payment and delivery.

Payment

- Check out any payment service before agreeing to use it.
- If receiving payment by cheque, make sure it clears before you release the item.

After the sale

- Send the item promptly and in accordance with your agreement with the buyer.
- Wrap the item well so it won’t get damaged.
- Use the site’s feedback function to comment on the buyer’s promptness to pay and respond to emails. Feedback should be fair and accurately describe the issue or problem you encountered.

Know your rights

Buying from an online trader in New Zealand

If goods are faulty or don’t match description

Auctions are excluded from the Consumer Guarantees Act. In the Ministry’s view, online auctions fit the definition of “sales by auction”, and are also not covered by the Act. This means you do not get the same protection as you do when you buy in other retail situations.

Those auction website operators and online sellers who are considered to be operating in trade (i.e. who are not privately selling property originally obtained for their own use) must comply with the Fair Trading Act. This Act prohibits people in trade from misleading the public

about goods or services for sale, or making false representations about those goods or services. If you have been misled or deceived, you might have a right to be compensated or, in some circumstances, cancel the purchase.

Private sellers in New Zealand

If you are buying from a private seller through an online auction site you are not covered by the Fair Trading Act or the Consumer Guarantees Act. These Acts do not apply to private sales.

The Contractual Remedies Act may give you some protection when you are buying from a private seller. However, to seek a remedy under this Act you must show:

- you were persuaded to buy the item by what the seller said about it, and
- what the seller said was untrue, and
- the seller's untruths caused you to lose money – eg, by having to pay for repairs when the seller told you the item was in excellent condition.

Buying from an overseas online auction

New Zealand consumer laws will not apply to your transaction. Check overseas online auction sites for information about your rights and remedies against the seller or auction operator.

Got a problem with an online auction?

First try to resolve the dispute directly with the other party.

If they are not contactable, use the site's dispute resolution process if they provide one.

Place feedback on the site about the buyer or seller so others are aware. Feedback should be fair and accurately describe the issue or problem you encountered.

You may be able to make a claim at the Disputes Tribunal if your dispute is with a seller or buyer located in New Zealand. The Tribunal deals with contractual disputes over goods and services.

If your transaction is with an overseas buyer or seller, you may be able to use an online disputes resolution service to resolve the problem. For more information about these services check out the [international e-consumer complaints site](#).

Other resources

If you are selling or buying on an overseas online auction service in the UK, the USA or Australia, check out these resources:

Australia: [Australian Competition and Consumer Commission](#)

United States: [Federal Trade Commission](#)

UK: [Office of Fair Trading - Consumer Direct](#)