

E-commerce — advice for consumers

The Internet is full of opportunities and information, but it pays to make well-informed choices. This guide will help you recognise cyberscams and arm you with the necessary information to deal with online traders with confidence. It is not a substitute for legal advice.

Shopping in cyberspace

If you're online, the world is your shopping centre. You can shop without leaving home or track down better prices in the world market. Whatever your reason for using the mouse rather than leaving your house, you need to know some things before sending money or personal information over the Internet.

Protect yourself

- ♦ Read the Internet shopping factsheets. They can be found at <http://www.dcita.gov.au/shoponline/>.
- ♦ Use the ACCC online shopping checklist (see centrespread).
- ♦ Find out what law applies. If you are trading with a business in another country the transaction may be subject to laws other than Australia's.

Seals of approval and codes of conduct

Many websites display 'seals' or 'badges' of approval indicating that the site has been approved by an independent organisation. Or they may display symbols that indicate they are a member of an industry code of conduct. Seals can indicate that you're dealing with a business which cares about providing a good, reliable service. Check out



the 'Seals of assurance' fact sheet at <http://www.dcita.gov.au/shoponline/>.

Protect yourself

- ♦ Check the business has the right to display the seal of approval. Don't rely on the mere presence of one of these logos to decide whether to buy from a web business. Go to the seal/code of conduct website and verify that the business is actually a member (usually there will be a link from the business's website).
- ♦ Check you know what the seal stands for. Some seals check out web businesses against one criteria only, such as privacy. If you're concerned about refund policies, there's no point relying on a seal that only examines the site's privacy policies.

Your right to a refund

The Trade Practices Act gives warranty and refund rights to consumers that businesses in Australia are legally obliged to honour. The statutory warranties set out the minimum obligations of sellers. See the ACCC's publication **Warranties and Refunds** at <http://www.accc.gov.au/docs/warrant/httoc.htm>.

Goods must:

- ♦ be of merchantable quality (i.e. a basic level of quality that would be reasonable to expect);
- ♦ be fit for any purpose made known to the supplier;
- ♦ match any description or photograph given of the goods; and
- ♦ be free from defects.

If the product does not meet these standards, you are entitled to reasonable compensation — a refund, repair or replacement.

In the case of services, they should be rendered with due care and skill and be reasonably fit to achieve the purpose specified.

Protect yourself

Always identify refund and warranty policies on the website. If in doubt, ask the business about its practices.

Make sure you know if you are dealing with an overseas trader.

When buying from an overseas website, the applicable law may be that country's and you may not be covered by any statutory warranties. Even if you are covered by Australian law, it is a lot more difficult to get compensation from an overseas trader than it is from an Australian business.

Internet auctions

Internet auctions are popular with people looking for bargains, obscure items and collectibles. But remember, you're not buying from the web-based auction house itself such as eBay or Yahoo, but from an individual or company who may not be an honest, reputable dealer.

Auction houses simply provide a forum for people to trade with one another. They usually take no legal responsibility for any loss you may suffer using their services.

Once the bidding is over, payment and delivery is something for you and the seller to work out. If the item doesn't turn up after you've paid for it, or if it isn't what you thought you were buying, the auction house won't refund your

money. You need to go back to the seller and negotiate.

The statutory warranties which exist under the Trade Practices Act do not cover goods bought at auction. The seller's only obligation is to give clear title.

Protect yourself

- ◆ Verify the seller's identity and contact details.
- ◆ Check the seller's 'form'. Many auction houses have feedback forums where you can find out about the previous conduct of a seller who has traded with the auction house before. Use this facility before agreeing to pay any money.
- ◆ Use an agent, such as an escrow agent. An escrow service is an independent third party which holds payment in trust until the buyer receives and accepts the agreed upon item from the seller.

Cyberscams

To legitimate traders, the Internet is a medium through which they can sell to the world. Unscrupulous operators have a different agenda — it's an environment where they can hide their true identity, reaching a large audience at minimal expense and disappearing quickly without trace.

International experience suggests that about 10 per cent of Internet transactions may be fraudulent — people using new technology and old ideas to relieve innocent consumers of their money. They include illegal schemes and scams such as 'get rich quick' schemes, miracle health products and phoney lotteries.

Treat any email or Internet invitation to send money with caution — use the ACCC online checklist to assess the risks.

Spotting cyberscams

To help you spot cyberscams, watch out for these:

- ◆ Promises of instant wealth — incredible returns offered for minimal work. If it sounds too good to be true, it probably is.
- ◆ Up-front payments — be wary of any scheme where you have to pay an initial fee before receiving information about the way it operates or to be eligible for further entitlements such as prizes, gifts or start-up kits.
- ◆ Pay for a secret — a common scam which offers a secret money-making method used by many successful and wealthy business people, but only if you pay a fee first.
- ◆ CAPITAL LETTERS — scams often use capital letters to emphasise their more extreme claims e.g. MAKE A MILLION DOLLARS BY WORKING FROM HOME!!!!!!
- ◆ Testimonials — scams often have glowing comments from participants claiming to have made their fortune. Anyone can write these comments and there's usually no way to check their claims.
- ◆ Something for nothing — if the site or email promises money or prizes in return for personal information, it's probably a scam to collect your valuable private details for online marketing activities.

Protect yourself

Ask for substantiation of any claims including projected earnings.

- ◆ Make sure you get full contact details of anyone you are dealing with.
- ◆ Keep records of any communications you have.
- ◆ Get legal advice. If you participate in an unlawful scheme you could be breaching the law and be subject to penalties under the Trade Practices Act.
- ◆ Don't make up-front payments without knowing exactly what you're getting.
- ◆ Ask how they deal with your personal information.
- ◆ Report cyberscams to your ACCC office or State Fair Trading Department.

Protect yourself

- ◆ Don't give out your email address without checking the privacy policies of the trader.
- ◆ Don't provide personal information to surveys or forms unless you are confident your information will be protected. If you provide this sort of information to a business which sells email addresses to online marketers, you could find a lot of strange and anonymous email clogging up your inbox.

Pyramid and referral selling, multi-level marketing

These schemes claim to make you rich through the primary activity of recruiting other people into the scheme and rewarding you for introducing those new members.

Under the Trade Practices Act they are illegal, although they often claim to be legitimate direct selling activities. Direct selling schemes, including multi-level marketing schemes, recruit participants to sell products and any rewards come directly from those sales.

On the other hand, pyramid selling schemes usually induce people to subscribe by promising payments if they introduce more participants. Saturation point is reached very quickly and later recruits have little chance of recovering their money. These schemes heavily reward the top of the pyramid at the expense of everyone else in the scheme.

Sometimes they are run in conjunction with a product or service — for example, an Internet service provider may offer to give you discounts on your Internet access for every member you recruit and members that they, in turn, recruit.

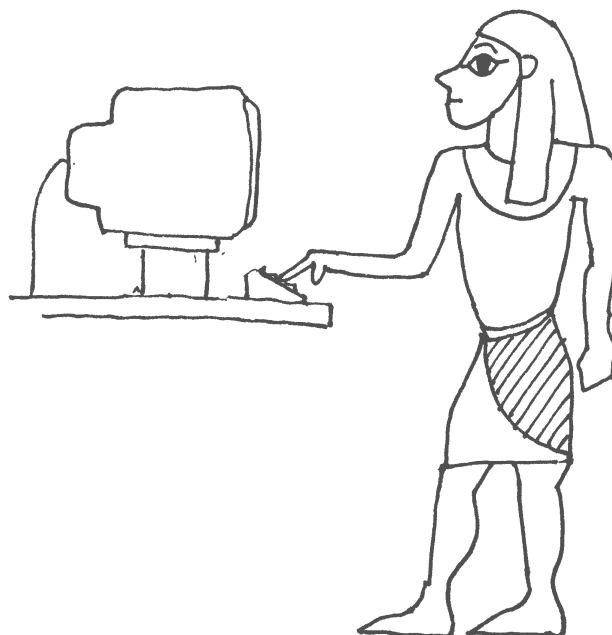
Spam

Spam is unsolicited or junk email. It's a simple and low-cost method many marketers use to reach large numbers of consumers. Spam, as such, is not illegal in Australia, but it is often used to promote schemes and scams which are illegal.

The 'no junk mail' sticker for your letter box has no electronic equivalent, and some marketers simply take your angry response as confirmation that your email address is accurate and current.

Spammers often buy mail lists from people who have harvested addresses from websites or news groups.

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These schemes are common on the Internet, both on websites and via email, and employ the full gamut of marketing hype such as testimonials, talking up the opportunities and emphasising how easy it is to make money.

Look out for statements like

'This is not illegal. It is a legal multi-level marketing program.'

'Your recruits do the work for you, you just sit back and bank the money.'

'Join this interactive investment club full of MLMers and other entrepreneurs, just like you.'

Protect yourself

- ♦ Ask for substantiation of projected earnings.
- ♦ Get legal advice.
- ♦ Don't make up-front payments.
- ♦ Don't send cash through the mail.

Competitions and lotteries

These schemes claim to offer the unsuspecting punter the 'winning ticket' in a lottery or competition, but only if they first pay a fee. These scams are often lotteries that require the winner to travel overseas or buy something else substantial before they can collect their tickets.

Under the Trade Practices Act it is illegal to:

- ♦ make claims about lottery prizes which are false, misleading and/or deceptive;
- ♦ offer gifts or prizes with the intention of not providing

them, or of not providing them as offered;

- ♦ provide a price for entry in a lottery which is not the full cash price.

Beware of claims like

'You have won a holiday in Vanuatu, simply pay your administration fee of \$15 to collect tickets to a tropical paradise!!!'

'Just send \$25 for government taxes and the prize is yours.'

'Reverse the odds — join our lottery syndicate and share in the winnings from the biggest lotteries in the world — GUARANTEED!!!'

Protect yourself

- ♦ Ask for details about how the lottery is administered.
- ♦ Ask for evidence that the prize or gift is worth what the claims say or imply.
- ♦ Ask about all the steps you need to take and the total payments required before you can claim your prize or gift.
- ♦ Don't provide your credit card details.
- ♦ Ask where the company running the competition is located.

Virtual health 'treatments'

Be wary of delinquent marketers who use cyberspace to peddle 'miracle' treatments and cures. Many of the ads, which feature exotic potions and pills, special curative diets or newly discovered treatments, contain questionable claims about their effectiveness and safety.

Misleading offers could cost you money and jeopardise your health, especially if they delay or forgo proper medical treatment. Look out for phrases like 'scientific breakthrough', 'miraculous cure', 'exclusive product', 'secret formula', and 'ancient ingredient', as well as claims like 'Lose 20 kilos in 2 weeks!' and 'Amazing instant results!'. Be wary of testimonials from 'famous' medical experts.

Protect yourself

- ♦ Ask for scientific proof that the product works — testimonials do not amount to proof.
- ♦ Before you buy, consult your pharmacist, doctor or other health professional.
- ♦ Ask about the seller's medical knowledge, expertise and qualifications.

Home work schemes

'Earn thousands of dollars a month working at home using your PC!' It's this kind of line that has hoodwinked thousands of unsuspecting people working from home. But watch out — they frequently overstate the achievable earnings and are often vehicles to sell low quality or worthless products to consumers who can't then on-sell them.

Usually they ask you to pay a registration or set-up fee before they provide you with the basics to set up the business.

The Trade Practices Act makes it illegal to:

- ♦ make false, misleading or deceptive claims about business opportunities, including predictions of future earnings;

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- ♦ offer a price for goods or services which is not the full price that consumers have to pay;
- ♦ send invoices for goods or services that have not been authorised.

Beware of claims like

The next step is to purchase a comprehensive information package for \$99.'

'A few years ago I believed that I really had to work hard to make money ... but then I discovered a revolutionary method of making money by being my own boss ...'

Protect yourself

- ♦ Ask for proof that the projected earnings are reasonable.
- ♦ Don't make up-front payments for starter kits or information packages.
- ♦ Get legal advice before you invest.

Getting online — what to watch for

Free PC with Internet access

Many recent offers of free PCs come bundled with Internet access. These offers usually involve consumers entering into a contract for Internet access with a pre-determined ISP that they can be locked into for lengthy periods. The monthly costs of the Internet access are bundled with the repayment for the PC and a credit charge.

Protect yourself

Get answers to the following questions.

- ♦ How does the price of the package compare to the total price for the separate components (including buying different components from different suppliers)?
- ♦ If interest is charged, how does the rate compare to other forms of credit over the term of the contract ('interest free' periods often get made up later)?
- ♦ How much of the monthly charge is for Internet access and how much is repayment of the PC?
- ♦ How do the features of the PC compare with other PCs? What is the processor? How much storage capacity does it have? How fast is the modem? What software is included? Is a printer or other peripheral equipment included?
- ♦ What support services are provided for the PC and the Internet access?
- ♦ How much 'unlimited' Internet access will you realistically use? Many Internet service providers offer free trial periods for the first month.
- ♦ Are there any limitations on the Internet service — is it available in your local call area at all times? How reliable is the Internet service provider's connection?
- ♦ Are there charges for exiting the Internet contract early?

- ♦ Does the contract let the Internet service provider change the access charge during the life of the contract?
- ♦ What if you change your mind — is there a 'cooling off' period or can you get a refund?
- ♦ What happens if the Internet service provider goes out of business?

Free Internet access

Some ISPs offer Internet access for free. Some of these offers are genuine, but usually rely on you either viewing their advertising or recruiting new members to the ISP as a condition of the 'free' surfing. This can be a great opportunity to introduce you or your family to the Internet, but there are a few pitfalls to look out for.

Protect yourself

- ♦ Make sure any offer that involves signing up new members isn't a pyramid or referral selling scam (see p. 12).
- ♦ Find out whether you will have to view certain advertising to take up the free offer and ask about the effect this will have on your browsing activity.
- ♦ Check that the company has the infrastructure (bandwidth, server quality and dial-in lines) to handle the number of clients it is likely to attract by offering free services. Ask the ISP what rights you will have if it does not have sufficient lines into its servers. The servers might not be able to quickly process the number received, causing delays or resulting in the server crashing.