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Subject: eBay and PayPal Submission [SEC=UNCLASSIFIED]
Importance: High
Categories: SEC=UNCLASSIFIED
ACCC Classification: SEC=UNCLASSIFIED

From: Scrapmania [mailto:scrapmania@aapt.net.au]
Sent: Friday, 2 May 2008 5:18 PM
To: Adjudication
Subject: eBay and PayPal Submission
Importance: High

The general Manager Adjudication Branch

I would like to submit my objection to the following: eBay International AG –Notification-N93365.

I have been a buyer and seller on eBay for just over 12 months; I am primarily a seller. I sell low value craft items. Until recently I have not offered PayPal on my listings, I am currently trialling the effects of offering PayPal payments on some of my higher priced items.

Many of my items for sale have a value of less than \$1.50. Offering PayPal on these items would mean I would have to increase the price of those items by 20% in order to still make a profit. This is based on PayPals fees of a flat 30 cent fee plus 2.4% of the transaction. As the 2.4% is based on the total of the transaction I would also need to increase my postage costs by 2.4% so that once the transaction has been processed I will still have the correct amount of money to cover the postage costs. Many of the low value items I sell will not sell at a higher price, it will be far cheaper for customers to purchase off Websites and from Bricks and Mortar stores, I will no longer be able to offer competitive pricing on these items and will most likely have to stop offering them for sale.

I will experience a further loss of business in the vicinity of 24%. This is due to a proportion of my customers not being willing to give their bank account or credit card details to PayPal. Many prefer to deposit money into my account through a branch or post a bank cheque or money order. NONE of these payment methods require the buyer to give ANY of their financial information to me, eBay, PayPal or anyone else. Buyers using these methods feel safe and in control of their financial information.

Aside from the impact it will have on me personally as a seller with regards to the loss of income, loss of customers and reduced inventory I have several other concerns with eBay's proposal.

eBay is currently a great platform for buys to shop on with often below average retail prices. However, the introduction of PayPal only as a payment method can and will have only one affect on prices, it will increase them. It should be remembered that once the cost of postage is factored in that the total price a buyer pays on eBay for an item is often closer to the retail prices of Bricks and Mortar stores. I cannot see how this "price increase" is beneficial to either the sellers or the buyers on eBay, or price competition in the market place in general.

I also have concerns regarding the processing of payments and overall security of the PayPal site. I refer to paragraph 1.26 from eBay's submission below.

"PayPal also conducts a "Payment Review" of a number of transactions. If a payer is perceived to be "high risk", that is, PayPal's systems have identified that there is a risk that the payment may be fraudulent, PayPal places a hold on the payment and provides notice to the seller to delay shipping the item until the payment is cleared. If the payment is subsequently cleared, PayPal provides notice to the seller to ship the item. If the payment is not cleared, the payment is reversed. PayPal therefore offers enhanced security benefits to sellers whom might otherwise receive payments via fraudulent means, for example, stolen credit cards or misappropriated credit card details."

Firstly by accepting PayPal I am exposing myself and my business to the risk of fraudulent payments which I am not currently exposed to, I cannot see how exposing myself to increased risk is beneficial to me. Secondly the time frame in which sellers are advised that there may be a problem with a payment is too long and the warning is most often received AFTER they have posted the item. The above paragraph also raises the issue as to how "safe and secure" the PayPal system is. It is currently possible to open a PayPal account with credit card details with no proof that the credit card is yours or that you have permission to use that credit card. The verification process for bank accounts linked to PayPal offers little security. It only requires that the person using the account has the account number and have access to bank statements, the account does not have to be in their name nor do they have to have authority to use the account. After all if PayPal was as safe and secure as it is touted as being the constant random review of payments would hardly be necessary, would it?

Below is a conversation I had with eBay customer care. I have included this conversation as it is my belief that the push for PayPal only as a payment method on eBay is more about increasing profits for the eBay/PayPal group than providing a safe and secure online trading venue. The conversation is regarding sellers who receive multiple negative feedback comments and start to experience a loss of sales as a result simply start a new ID to trade under effectively wiping their feedback slate clean. I have received no negative feedback but used myself as an example initially. For privacy reasons I have changed my user ID to "ME" and the customer services representatives name to "CS".

"8:54:23 PM ME

Thank you CS. I would also like to confirm that if I start to get too much negative feedback that it is OK for me to start selling under another ID.

8:55:55 PM CS.

Your welcome, just one moment while I confirm for you

8:57:03 PM CS.

Yes, it is ok for you to start selling under a new account if you'd like

8:57:53 PM ME

Can I ask what the point of having feedback is if when you start getting too many negs you are just allowed to start selling under a new ID?

9:00:05 PM CS.

I understand that, if you where to start selling again you would start back at zero, so if you continued poor selling it would be reflected even greater against you.

9:00:37 PM CS.

Also zero feedback has selling restrictions on the account

9:01:18 PM ME

What about an ID with a feed back of 56 would that have selling restrictions?

9:01:40 PM CS.

No it would not

9:02:16 PM ME

So set up an ID, buy a couple of cheap things and off you go with no restrictions??

9:03:18 PM CS.

That could be it, hopefully buyers would realize that their feedback was from buying and not selling.

9:03:40 PM ME

The problem is some sellers go along alright for a couple of months and then the negs start to roll in. They close up shop and start again. How is this fair to sellers who ALWAYS do the right thing?

9:05:01 PM CS.

I agree with you, this is sort of thing we hope to avoid but it is hard to stop everyone.

9:07:00 PM ME

The seller I am referring to is now on her 3rd ID in less than 12 months. eBay are aware of what this seller has been doing but have chosen not to act. It makes a mockery of all the noise eBay are currently making about making eBay a safer place.

9:09:06 PM CS.

Yes, you could make a suggestion to eBay about this concern, You can also report the seller about that is something you most likely have done already"

If eBay were genuine about providing a safe and secure trading platform they would have a more stringent verification process for sellers and buyers on both eBay and PayPal and would take action with regards to the scenario above.

It is also my opinion that the advertising by PayPal and eBay with regards to the benefits of using PayPal is often misleading and confusing. Buyers are often not aware that their purchases are not fully covered for all sellers. PayPal only seem to offer full coverage to buyers when they purchase from low risk sellers. Buyers are more likely to experience difficulties or not receive items from sellers with poor feedback or low feedback and yet buyers are not covered by PayPal when purchasing from these sellers. See a copy of eligibility requirements from PayPals website.

"1. Eligibility. PayPal Buyer Protection will be offered on the eBay listings of sellers who meet the qualification requirements at the time of posting the listing. If a listing is eligible for PayPal Buyer Protection, the phrase PayPal Buyer Protection will be inserted in the Seller Information box.

a. Seller Qualification Requirements. A seller's eBay listings are eligible to qualify for PayPal Buyer Protection coverage if the following conditions are met:

1. The seller's eBay feedback rating is at least 50;
2. At least 98% of the seller's eBay feedback is positive. The percentage calculation for this purpose includes feedback from repeat users, and therefore may be higher than the unique positive feedback percentage displayed on eBay;
3. The seller is a member of PayPal in one of the following countries:
 - Austria
 - Australia
 - Belgium
 - Canada
 - France
 - Germany
 - Hong Kong
 - India
 - Ireland
 - Italy
 - Japan
 - Korea
 - Netherlands
 - Singapore
 - Spain
 - Switzerland
 - Taiwan
 - United Kingdom
 - United States"

Many buyers are also unaware that sellers may (currently and I have not heard that this will change) opt out of the buyer protection program, meaning that buyers are not covered for purchases from that seller even if the seller meets the eligibility requirements.

To further confuse things ad campaigns such as the one below are run giving buyers the impression that other payment methods are much less safe than they really are. If a buyer pays a seller by bank cheque, money order, internet transfer into their account or over the counter deposit into their account at no stage does the seller have access to ANY of their financial details. Sorry but campaigns such as the one below are simply untrue and constitute in my opinion blatant scare mongering.

*With PayPal you don't have to share your
financial information with the seller.*

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Another issue that concerns me is how difficult eBay are currently making it for buyers to use payment methods other than PayPal. For several months there has been a "glitch" where the seller's full bank account details are not made available to buyers at checkout when they choose to pay by bank deposit. This means

the buyers have to email the sellers for their bank account details if they wish to use that method of payment.

There have also been several changes to the ebay checkout system which have progressively made it more difficult for buyers to find the option to pay by bank deposit. When checking out buyers are confronted with a page with instructions and options to pay by PayPal, there is a small box at the bottom of the page that is not easy to see that buyers need to tick to pay by bank deposit. I believe this tactic along with the missing bank account details and false advertising is giving the impression that more people prefer to use PayPal and feel safe using PayPal than is actually the case.

In summary it is by opinion that the introduction of PayPal only as a payment method will increase prices on eBay and disadvantage people who do not wish to share their account information (this group would most likely consist of people from the older generations).

I am not only asking the ACCC to reject the eBay and PayPal Submission but to investigate some of the advertising and practices of eBay and PayPal.

Janette
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