

Roy, Lauren

Subject: Paypal & Ebay [SEC=UNCLASSIFIED]

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From: [REDACTED]

Sent: Friday, 2 May 2008 8:48 AM

To: Adjudication

Subject: Paypal & Ebay

Attention: Lauren Roy.

I wish to make the following submission regarding eBay International Exclusive Dealing Notification N93365 lodged with the ACCC on or about 11th April 2008 in which eBay Australia is seeking for exemption from provisions of the Trade Practices Act and to be permitted to force all members of eBay to pay for all transaction using their own company Paypal.

The only other form of payment that is being permitted is Cash on Pickup.

Lack Of Choice

Already a number of my customers have said they will not pay by paypal because they do not trust it (and with good reason, do a search on the internet for sites with paypal horror stories).

Last week, Philip Druce, General Manager for OZtion, said "The fact that OZtion has seen significant growth across most metrics shows that Australians are looking for alternatives to eBay and will not be forced into only using PayPal. Our internal data shows that 79% of buyers prefer to pay by bank deposit." This number is more accurate than any provided by ebay as ebay has been attempting to force paypal down everyone's throats via advertising banners (of dubious accuracy) on their website.

In Annexure C in the eBay AG Notification to the ACCC, the Nielsen report says that 62% of those who have done any online shopping had EVER bought items off ANY online shopping using Paypal. The other payment methods - B-Pay 60%, Direct Deposit 57%, Credit Card 84%, Direct Debit 50%, Phone/fax CC details 13%, COD 10%, Mobile Phone 4%, Money Order 12%, Cheque 7%, Pay at shop 4%. All up this sums to 363%, so the overall result of 363% indicates MANY must use have used more than one method of payment, an AVERAGE of 3.63 different methods. This means that the average paypal use is 62/3.63 or about 17% of all online transactions. This is consistent with oztion's figures and tells us that paypal is currently not the vehicle of choice for online transactions in Australia.

Paypal forces sellers to accept credit cards even if they do not want to and there is already too much credit card debt in this country without ebay adding to it.

PayPal charges sellers a fee of 2.4% + \$0.30 on all money received (including postage costs) in addition to ebay fees. This adds a financial burden not incurred with the other payment options.

Paypal is slow; it takes 7 days to transfer money to my bank account during which time ebay-paypal are earning interest on what is supposed to be MY money.

PayPal are difficult to communicate with and offer only an 1800 number.

Complaints sent to PayPal are met with automated email responses and often the response has nothing to do with the complaint.

In signing up for PayPal, users must agree to terms and conditions which effectively ensure they have virtually no legal redress regardless of any change or failure of service on PayPal's part.

There will be a huge effect on other payment processors currently servicing the Australian online marketplace. One example is Paymate, an Australian owned and operated service that was originally promoted by eBay, but discarded once PayPal became a subsidiary. Paymate offers all of the security (and more) that eBay is touting as being exclusive to PayPal, and has the added advantage of a readily accessible Australian office (rather than a 1800 call centre). Having an open market will also encourage further security enhancements to be developed by other providers.

Safety

Paypal is not a bank, and therefore is not subject to Australian Banking Laws. If paypal was to cease trading, all funds held by Paypal on behalf of ebay sellers could be utilised to pay creditors and the sellers would be left to carry the financial burden of whatever caused Paypal to fail.

PayPal is renowned for being actively targeted by online fraudsters. Phishing emails, whereby parties gain access to a user's account by tricking them into revealing sensitive information, are common. Ebay constantly push paypal's 'buyer protection' but paypal can remove buyer protection anytime they want to. From their terms and conditions: Availability. PayPal reserves the right to change or discontinue the PayPal Buyer Protection program for any reason, at any time and for any duration at its sole discretion. Pending claims at the time of any such discontinuance will continue to be processed under the existing program rules until a final decision is reached.

Paypal is not safe for buyers. There are numerous websites documenting problems people have had with paypal (e.g. <http://www.paypalsucks.com>). This story though shows the complete disregard paypal have towards 'fair play' - <http://www.tonytyter.com.au/paypal>

Ebay claim that safety is the reason for this change but other payment methods offer both buyers and sellers a secure transaction without the additional costs associated with paypal. Using Bank Deposit, as an example, does not involve the buyer revealing any sensitive data, does not incur additional cost to either party and can easily be monitored by either party by contacting their financial institution - not so with PayPal. Strangely enough, ebay recommend bank deposit to pay ebay fees. If it is so unsafe then surely they would not do so.

Ebay is not safe for sellers. Forcing sellers to accept credit cards leaves the sellers open to chargeback fraud. Financial dealings through ebay/paypal could be quite dangerous. Recently paypal users in various parts of the country have been unable to access paypal at all, making it impossible to pay for items (while this is more likely to be caused by Telstra than by ebay/paypal, imagine if there were no other payment alternatives - after all paypal users cannot access their funds except via the internet). Sellers banking details have been missing from ebay's checkout system. This problem was not rectified for weeks, an indication of extreme incompetence, firstly in the problem appearing (any system must always be tested before going live whenever any change is made) and secondly in the amount of time it took to fix such a trivial error. An organisation displaying such incompetence in financial matters cannot possibly be providing a safe payment mechanism. Ebay have stated that these changes are designed to reduce fraud. Fraud is best combatted at the source. I do a little buying and selling of coins and banknotes on ebay. Most internet scams perpetrated in this area (a simple example is altering the date on a common penny to make it appear to be the rare 1930 - a genuine one sells for \$20,000 to \$30,000) are quite clear to experienced hobbyists and dealers. When ebay is alerted to this it is rare for them to do anything about it and they now hide the bidders details during the auction so it is impossible to warn bidders.

OZtion has taken a different approach with regard to fraud prevention. Instead of limiting acceptable payment methods, it has created a comprehensive range of identity checks for its members and has also partnered with Australia Post to provide the same level of identity check required to open a bank account. To quote Philip Druce, General Manager for OZtion, "Many online fraudulent activities are only possible because sites make it easy to create a fake identity. When a crime occurs with a fake identity, sites that don't check identities just shrug their shoulders and hand the fake details to the victim. OZtion focuses on preventing fraud

and has created a range of identity checks for both buyers and sellers, allowing Australians to shop online with confidence."

The United States Securities And Exchange Commission form 10K filed by Paypal a couple of days ago

(<http://msnmoney.brand.edgar-online.com/DisplayFilingInfo.aspx?TabIndex=2&FilingID=5765915>)

contains some interesting statements:

"PayPal's highly automated and liquid payment service makes PayPal an attractive target for fraud"

"While PayPal uses advanced anti-fraud technologies, we expect that technically knowledgeable criminals will continue to attempt to circumvent PayPal's anti-fraud systems."

"In addition to the direct costs of such losses, if they are related to credit card transactions and become excessive, they could result in PayPal losing the right to accept credit cards for payment."

"PayPal was assessed substantial fines for excess chargebacks in 2001, and excessive chargebacks may arise in the future."

And yet they are telling us all that paypal is the safest payment method?

Yours Sincerely,

Peter Andrews.

Contact details excluded

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