

The baying crowd

Users are forced through PayPal and eBay is raking in fees, writes JENNIFER DUDLEY-NICHOLSON

The introduction of payment regulations by eBay Australia is angering buyers and sellers, and has led to an investigation by the Australian Competition and Consumer Commission (ACCC) into the new rules, which will restrict how a buyer can pay for an eBay item.

The company says it is making the changes to improve safety and reduce fraud. But some users say the company is creating an online monopoly, as well as double-dipping on fees. Staff at eBay are concerned the rules could see users abandon the website and are hosting meetings across Australia to avert a boycott.

From today, sellers will have to offer PayPal on all listings. From June 17 sellers will only be allowed to offer PayPal or COD as payment methods. Bank deposit, money order and bank or personal cheques will be banned from the website.

Using PayPal costs sellers money. Credit card payments through PayPal attract a fee of up to 3.4 per cent plus a fixed 30-cent fee, or more if money is received from overseas.

The PayPal fees will be additional to the fees eBay charges sellers to list an item on the site, and the fees payable if the item sells.

PayPal is owned by eBay, which will benefit, and users are critical. Indeed, eBay Australia's trust and safety director Alastair MacGibbon says he has been experiencing their wrath first-hand. MacGibbon, eBay Australia vice-president Simon Smith and PayPal Australia managing director Andrew Pipola, met with east coast users last week. Their reaction was unenthusiastic, MacGibbon says.

Some attendees yelled and booed at the officials, while others asked tough questions. "It's an emotive issue when you talk about fees, but [sellers] need to be rational and look at how it affects their businesses," he says.

There are going to be some who will leave the site. There is the potential for this to be not a revenue-positive exercise for eBay in the short term. Our job is to try to educate them on why this is best.

MacGibbon says the rules are designed to reduce the number of fraudulent transactions and misunderstandings.

He says internal numbers show buyers who use PayPal are four times less likely to have a problem with trades, because of fraud, miscommunication or other issues.

"Your payment method is the most important determinant of whether you will have a problem with your transaction," MacGibbon says. "eBay would have been irresponsible not to act on it for buyers."

Problems with other methods, he says, include mixing bank account numbers,

sellers failing to identify bank deposits and forged cheques and money orders. Sharing bank account details can also heighten the risk of identity fraud, he says.

By eliminating these methods of payment, MacGibbon says eBay will reduce the number of bad experiences for buyers. This should keep them coming back, which is good for sellers, he says, regardless of extra fees.

PayPal's Buyer Protection will be increased to ensure items up to \$20,000, up from \$3,000 — a move that Internet Industry Association chief executive Peter Coronesco says should increase buyer confidence online. But eBay Australia is aware of the legal issues involved in forcing its members to use its financial services company. MacGibbon says eBay approached the ACCC prior to the announcement to explain its position.

Law firm Deacons filed an exclusive dealing notification with the ACCC, asking its changes to be immune from the Trade Practices Act. The Act prohibits companies from imposing restrictions on who its customers deal with, whether those restrictions involve an outright ban or substantially lessen competition.

Deacons partner Calum Henderson says the changes will not substantially lessen competition. "Any detriment to the public which may be caused by a lessening of competition as a result of the policy would be outweighed by the significant public benefits that would be likely to result from the move."

The ACCC granted eBay immunity as the interim, as per its policy, but asked for public submissions to inform its ultimate decision.

More than 200 eBay users submitted oral and written submissions to the ACCC.

Some submissions claim eBay is creating an "abhorrent denial of freedom of choice" and "a monopoly which is completely undesirable and will create a precedent for businesses to emulate".

Others are concerned the changes will detrimentally affect their income.

Antique book trader Graeme J. Moore, an eBay seller for more than three years, says he is concerned his elderly customers will be disinclined to use PayPal and are often geographically unable to pay in cash.

eBay's claim they are introducing this measure as buyer protection is a smoke-screen to cover their intentions, eBay is trying to gain market domination with a payment service they own," he writes.

More worrying for eBay, members appear to be already looking for alternatives.

Philip Druce, managing director of Australia's second largest auction site OZtion, says new memberships have risen since the announcement — from 250 a day to 650.

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Our statistics show that 79 percent of buyers use direct deposit and those buyers obviously are going to be forced to use PayPal and pay an extra 2.4 per cent on the transaction amount [if they stay at eBay]."