



Auction Insurance Agency

Potential Implications of Rapidly Increasing Digital Sale Participation

As more auctions and dealers transition to digital sales, it is important to be aware that online transactions present some unique risks to auto auctions. To begin with, online sales tend to bring several new buyers to an auction since they do not have to travel and be physically present. As with any new customer, it is important to set a reasonable buying limit for these new buyers while they establish a business record with your auction. Auctions that are insured by AIA should be sure to check the dealer's insurability status via the EKO as well. AIA has also experienced situations where online buyers that are new to an auction are far more likely to walk on a purchase, as they do not have a personal relationship with the auction and are more anonymous than an in-person customer.

It is also likely that a large number of digital buyers will be new to the entire online buying process, so there are additional issues that may result from that fact. Disputes regarding arbitrations, payment methods, etc. will likely rise as a result of dealers being unaware of differences between online and in-lane transactions. As with in-lane purchases, it is important to have the appropriate controls in place for online buyers. Business practices such as not releasing titles until payment is received, not releasing vehicles to cash buyers before payment is received and enforcing buying limits are just as relevant for digital transactions as they are for physical ones.

Unfortunately, fraudsters look to take advantage of situations like the one the industry is currently experiencing. This can take the form of collusion between an online buyer and seller, or cyber criminals trying to capitalize on the influx of new online buyers. AIA's recent alert (click [here](#) to view) regarding the risk to auctions of "social engineering" fraud is particularly relevant given the increase in digital transactions that will likely be seen in the coming weeks. Make sure your auction is aware of the risks that can accompany an increase in online transactions and plan accordingly. As always, be sure to contact AIA to report any potential payment losses that you experience.



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