



FEDERAL TRADE COMMISSION
PROTECTING AMERICA'S CONSUMERS

Informing Businesses about the INFORM Consumers Act

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Congress passed the Integrity, Notification, and Fairness in Online Retail Marketplaces for Consumers Act – or the [INFORM Consumers Act](#) – effective as of June 27, 2023. The Federal Trade Commission and the States have authority to enforce the new statute and online marketplaces that run afoul of the law could be subject to steep financial penalties. Is your business covered by the INFORM Consumers Act? If so, you'll want to keep reading.

What does the INFORM Consumers Act require? Under the new law, “online marketplaces” (a phrase the [statute](#) defines) where “high-volume third party sellers” (another defined term) offer new or unused consumer products must collect, verify, and disclose certain information about those sellers. Violations could result in civil penalties of \$50,120 per violation for online marketplaces.

What's the purpose of the law? When consumers buy products from online marketplaces, the identity of the seller is often unclear. The goal of the INFORM Consumers Act is to add more transparency to online transactions and to deter criminals from acquiring stolen, counterfeit, or unsafe items and selling them through those marketplaces. The Act also makes sure online marketplace users have a way to report suspicious conduct concerning high-volume third party sellers.

How does the law define an “online marketplace”? You'll want to check the specific wording of the [statute](#), but in general, an “online marketplace” is a person or business that operates a consumer-directed platform that allows third party sellers to engage in the “sale, purchase, payment, storage, shipping, or delivery of a consumer product in the United States.” The law takes the meaning of “consumer product” from the Magnuson-Moss Act, which defines the term as “tangible personal property for sale and that is normally used for personal, family, or household purposes.” The online marketplace also must have a contractual or similar relationship with consumers governing their use of the platform to buy products. Many of the companies that meet the definition of “online marketplace” are national names, but smaller niche platforms with “high-volume third party sellers” are covered, too.

How does the law define “high-volume third party seller”? Again, you'll want to check the specific wording of the [statute](#), but in general, a “high-volume third party seller” is a seller in an online marketplace that, in any continuous 12-month period during the past 24 months, has had on that platform 200 or more separate sales or transactions of new or unused consumer products, *and* \$5,000 or more in gross revenues. In calculating the number of sales or amount of gross revenues for the “high-volume” threshold on a given online marketplace, the only sales that count are ones made through that online marketplace and for which payment was processed by the online marketplace, either directly or through its payment processor. The law specifically exempts businesses that have made their name, business address, and contact information available to the general public; that have



a contractual relationship with the marketplace to manufacture, distribute, wholesale, or fulfill shipments of consumer products; and that provide the marketplace with identifying information that the marketplace has verified. The law also exempts from the definition of “high-volume third party seller” the online marketplace itself.

If a business meets the definition of an “online marketplace,” what does the INFORM Consumers Act require it to do? Here are the general legal requirements for online marketplaces, with more specific compliance responsibilities addressed in other Q&As:

Collection. Online marketplaces must collect bank account information, contact information, and a Tax ID number from high-volume third party sellers.

Verification. Online marketplaces must verify the information they get from high-volume third party sellers. They also must require sellers to keep their information current and to certify it as accurate at least once a year.

Disclosure. For high-volume third party sellers that meet a certain level of sales on a platform, online marketplaces must disclose in the sellers’ product listings or order confirmations specific information about the seller.

Suspension of non-compliant sellers. Online marketplaces must suspend high-volume third party sellers that don’t provide information the law requires.

Reporting mechanism. Online marketplaces must provide on high-volume third party sellers’ product listings a clear way for consumers to report suspicious conduct.

What kinds of information must an online marketplace collect? Timing is important here. Once a person or business meets the definition of a “high-volume third party seller,” the online marketplace has 10 days to collect the following information from them:

- ***Bank account information.*** The online marketplace must collect the seller’s bank account number, or, if the seller doesn’t have a bank account, the name of the payee for payments the online marketplace issues to the seller. The seller may provide that information either directly to the online marketplace or to a payment processor or other third party designated by the online marketplace.
- ***Tax ID information.*** The online marketplace must collect a high-volume third party seller’s business tax identification number – or if the seller doesn’t have one, a taxpayer identification number.
- ***Contact information.*** If a high-volume third party seller is an individual, the online marketplace must get the person’s name and a working email address and phone number. For legal entities, corporations, partnerships, etc., that are high-volume third party sellers, the online marketplace must collect a working email address and phone number and one of the following forms of ID: a copy of a valid government-issued identification for an individual acting on behalf of the seller or a copy of a valid government-issued record or tax document that includes the business name and physical address of the seller.

What must an online marketplace do to verify the information it collects? Once a high-volume third party seller provides its banking account, contact, and tax ID information, online marketplaces have 10 days to verify the information. Although the law doesn’t list specific verification steps, the methods



the online marketplace chooses must enable it “to reliably determine that any information and documents provided are valid, corresponding to the seller or an individual acting on the seller’s behalf, not misappropriated, and not falsified.” The law also includes a “presumption of verification” that any information contained in a valid government-issued tax document can be presumed verified as of the date of the document. In addition, online marketplaces must keep information from high-volume third party sellers current. At least once a year, the marketplace must require the seller to electronically certify that its information hasn’t changed or that it has provided the marketplace with updated information.

What kinds of disclosures must an online marketplace make? If a high-volume third party seller has annual gross revenues of \$20,000 or more on a particular online marketplace, the marketplace must clearly disclose the following information on each of the seller’s product listing pages, or in order confirmation messages and account transaction histories on that platform:

- the seller’s full name, which may include the business name or the name the seller uses on the online marketplace;
- the seller’s physical address; and
- contact information that will allow consumers to have what the law calls “direct, unhindered communication” with the seller, including a working phone number, a working email address, or other means of direct electronic messaging that may be provided by the marketplace – as long as that other means doesn’t prevent the online marketplace from monitoring communications with consumers for fraud, abuse, or spam.

If the listing includes a physical address for product returns, that’s sufficient under this part of the law. Furthermore, if the seller used a different business to supply the product a consumer bought, the online marketplace must, at the consumer’s request, provide the name, address, and contact information for that business.

The law includes a limited exception for high-volume third party sellers that operate only out of their homes. In that case, the online marketplace must disclose the country and, if applicable, the state where the seller lives and provide consumers with a phone number, email address, or other means of electronic messaging where consumers can contact the seller. If the seller’s only phone number is a personal phone, the online marketplace must provide an email address or other form of electronic messaging where consumers can contact the seller. Online marketplaces may have to suspend high volume third-party sellers if they make false statements in an effort to qualify for that limited exception or if the sellers don’t respond to consumers within what the law calls a “reasonable time frame.”

How must online marketplaces respond to sellers’ non-compliance? As a preliminary matter, on the product listing page of any high-volume third party seller, the online marketplace must clearly and conspicuously include both a phone number and an electronic way for consumers to contact the marketplace to report suspicious activity. Furthermore, if a high-volume third party seller doesn’t provide to the online marketplace the information the marketplace needs to comply with the law, the marketplace must give the seller written or electronic notice of non-compliance. If the seller doesn’t provide the information within 10 days, the marketplace must “suspend any future sales activity” of the seller until the seller complies with the requirements of the law.



Does the INFORM Consumer Act require online marketplaces to implement privacy and security safeguards? Yes. To protect the information they're required to collect from unauthorized use, disclosure, access, destruction, or modification, the law requires that online marketplaces "implement and maintain reasonable security procedures and practices." That includes putting administrative, physical, and technical safeguards in place that are appropriate to the nature of the data and the purposes for which the data is used. What's more, data collected solely to comply with the INFORM Consumers Act "may not be used for any other purpose unless required by law."

What are the consequences for violating the INFORM Consumers Act? A violation of the law is treated as a violation of an FTC rule. So online marketplaces that don't comply may face FTC law enforcement that could result in civil penalties of \$50,120 per violation. The statute also gives enforcement authority to State Attorneys General and other officials authorized by the State. They may file an action in federal court to enjoin further law violation, seek civil penalties and other remedies permitted under state law, and obtain damages, restitution, or other compensation for residents of that state.

What should I do if I suspect a violation of the INFORM Consumer Act? Report it to the FTC. Follow this [dedicated link](#) designed especially for the reporting of possible INFORM Consumer Act violations.

Where can I find out more? Read the [INFORM Consumers Act](#) for compliance and enforcement specifics. For more information about the Federal Trade Commission Act and other statutes and rules enforced by the FTC, visit [business.ftc.gov](#).



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