

# FTC Files Suit Against Amazon Over Kids' In-App Purchases

July 14, 2014

On July 10, 2014, the FTC filed a [complaint](#) in federal court alleging that Amazon unlawfully billed parents and other Amazon account holders for unauthorized in-app charges incurred by kids. The complaint follows a similar [FTC settlement with Apple](#) and a similar [class action lawsuit against Google](#).

The FTC's complaint alleges that Amazon offers free and paid apps through its App store, many of which are rated for kids and allow in-app charges ranging from \$0.99 to \$99.99. Amazon controls the billing process for these in-app charges and retains 30 percent of all in-app revenue. For all apps, Amazon requires its users to link their mobile device to an Amazon account, which is funded by a credit card or Amazon gift card.

At the time Amazon introduced in-app charges to the App store in November 2011, users were notified of an in-app charge with a pop-up containing information about the app virtual item identified for purchase and the amount of the charge. The FTC asserts, however, that a child user could clear the pop-up notification by pressing the "Get Item" button. Once the user clears the pop-up, the FTC asserts that Amazon did not request further action before billing users' accounts.

The complaint highlights internal communications among Amazon employees from December 2011 noting that unlimited in-app charges without requiring a password were causing problems for a large percentage of its customers. According to the complaint, in March 2012, Amazon updated its in-app charge system to require a password for any single in-app charge over \$20, but continued allowing an unlimited number of lesser in-app purchases with no password.

In early 2013, Amazon implemented further updates to require a password entry for all in-app charges. The complaint alleges, however, that once the password was entered, the password was stored from 15 minutes up to one hour, allowing the user to incur unlimited in-app charges during that time period.

The complaint contends that Amazon received thousands of consumer complaints relating to unauthorized in-app purchases by kids, amounting to millions of dollars of charges. Amazon, however, has an express policy stating that all in-app charges are final. To the extent that parents sought an exception from the policy, the FTC's complaint states that Amazon's refund process is unclear and confusing.

The FTC alleges that Amazon's billing practices were unfair and violated Section 5 of the FTC Act. The complaint seeks a permanent injunction to prevent future violations of the FTC Act, a court order to refund users for the unauthorized charges, and the costs of the action.