Google to Refund at Least $19 Million Over Kids’ In-App Purchases

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On September 4, 2014, the FTC announced a settlement with Google Inc., which requires the search giant to pay at least $19 million in refunds to consumers that the Commission alleges were billed for unauthorized in-app charges incurred by kids. The settlement follows a similar settlement in January with Apple (which required Apple to pay a minimum of $32.5 million in refunds), and a recent complaint filed by the FTC in federal court against Amazon.

The FTC’s complaint against Google alleges that the company offered free and paid apps through its Play store. Many of these apps are rated for kids and offer “in-app purchases” ranging from $0.99 to $200, which can be incurred in unlimited amounts. The FTC alleges that many apps invite children to obtain virtual items in a context that blurs the line between what costs virtual currency and what costs real money.

At the time Google introduced in-app charges in March 2011, users were notified of an in-app charge with a popup containing information about the virtual item and the amount of the charge. A child, however, could clear the popup simply by pressing a button labeled “CONTINUE.” In many instances, once a user had cleared the popup, Google did not request any further action before billing the account holder for the corresponding in-app charge.

It was not until mid- to late-2012 that Google begin requiring password entry in connection with in-app charges. The complaint alleges, however, that once a password was entered, it was stored for 30 minutes, allowing a user to incur unlimited in-app charges during that time period. Regardless of the number or amount of charges incurred, Google did not prompt for additional password entry during this 30 minute period.

Google controls the billing process for these in-app charges and retains 30 percent of all revenue. For all apps, account holders can associate their Google accounts with certain payment mechanisms, such as a credit card, gift card, or mobile phone billing. The complaint highlights that Google received thousands of complaints related to unauthorized in-app charges by children and that unauthorized in-app purchases was the lead cause of chargebacks to consumers.

The FTC alleges that Google’s billing practices were unfair and violated Section 5 of the FTC Act. Under the terms of the proposed settlement order, Google must pay at least $19 million in refunds to consumers. Google is also required to obtain the “prior express, affirmative consent of the account holder” before billing a consumer for an in-app charge.

In instances where consent is sought for a specific in-app charge, the settlement requires Google to clearly and conspicuously disclose: (1) the in-app activity associated with the charge; (2) the specific amount of the charge; and (3) the account that will be billed for the charge. In addition, if consent is sought for potential future in-app charges, Google must clearly and conspicuously disclose: (1) the scope of the charges for which consent is sought, including the duration, devices, and apps to which consent applies; (2) the account that will be billed for the charge; and (3) the method(s) through which the account holder can revoke or otherwise modify the scope of consent.

The settlement with Google is a good reminder that app developers and mobile platforms should continue to review their advertising, marketing, and game experience (as well as consumer complaints), and determine whether existing disclosures may benefit from disclosure and process enhancements in line with the terms set forth in this latest settlement.