

Pay to Play? CFPB Warns Consumers about Risks of Video Game Currency and In-Game Purchases

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The Consumer Financial Protection Bureau (CFPB) has turned its attention to in-game currencies and purchases (commonly referred to as "microtransactions or "downloadable content"). On August 28, 2024, the CFPB followed up its [Issue Spotlight](#) with a [Consumer Advisory](#) warning about the risks of in-game currency and methods used to encourage gamers to spend money. The CFPB periodically issues these advisories to inform consumers about consumer financial issues. In our prior articles, we provided an [overview of regulatory risk](#) for the gaming industry and discussed the CFPB's concerns about [payment transmission issues](#), [advertising and exploitation](#), and [data protection and privacy](#).

Potential Hidden Costs of In-Game Currencies and Marketplaces

The Advisory notes that many games require players to use in-game currency, sometimes in multiple forms, to purchase microtransactions. The CFPB is concerned that exchange rates may be confusing and inconsistent, potentially deceiving consumers about currency value and microtransaction cost. Additionally, the CFPB noted concern about developers pricing microtransactions differently than the currency bundles used to buy the microtransaction. For example, a microtransaction may cost 1,000 coins of in-game currency, but coins can only be purchased in bundles of 700 coins or 1,6000 coins. Players seeking to purchase one microtransaction are then left with additional coins that players must store in the game because coins cannot reconvert into dollars.

The Advisory also claims that parents and guardians frequently report unexpected transactions on their credit or debit card statements. Many modern games provide players with an option to spend in-game currency to access content, purchase items, or sometimes even play a game. Because younger audiences are the target audience for most games, many players do not have access to a credit card or other means of purchasing in-game currency. As a result, parents often store their payment information in the game. The CFPB's concern is that there appear to be few controls to monitor how or when companies are using stored payment information.

To avoid potential UDAAP (unfair, deception, or abusive acts or practices) claims surrounding in-game currency conversions, developers can provide disclosures at the time of purchase, make content purchasable with dollars, provide notices to paying

parents, and make conversion rates clear for players to understand.

Loot Boxes May Look Like Gambling

The Advisory also compares video games' rewards and collectibles systems, such as loot boxes of random-chance items, to casino-style gambling. Both are designed to keep the player in their seat by delivering constant and immediate rewards. The CFPB argues that developers use design tricks, such as flashy animations or slow downs close to rare items, to suggest a player narrowly missed out on items and to encourage them to buy more loot boxes. As further evidence, the CFPB notes that some games include activities like skin betting or token wagering—activities that allow players to bet with valuable gaming assets. The CFPB's interpretation of loot boxes as a form of gambling is consistent with other countries' views. For example, Belgium banned the sale of loot boxes in 2018 under its gambling laws, Austria banned certain loot boxes, and South Korea requires a developer to make a disclosure about loot box probability.

Some games have begun to clearly disclose the probability of obtaining items in certain rarity tiers and others require players to take additional steps before being able to purchase a loot box. These measures and others, such as age verification, can help developers mitigate potential claims about loot box offerings and practices.

Player Recourse May Be Difficult or Impossible to Obtain

As noted previously, the CFPB reported that players have complained about having little recourse with gaming companies when they suffer losses. According to the Advisory, game publishers claim to have no obligation to compensate the players for financial losses, including when service to a game is suspended or a consumer's account is closed. Games rarely provide refunds to consumers as a result of a server shut down or unauthorized in-game transactions, and some players feel the effort is not worth the hassle. By highlighting this issue in its Advisory, the CFPB is signaling that gaming platforms need to develop more gamer-friendly recourse protocols.

CFPB's Suggestions for Consumers

After describing the problems it sees with in-game transactions, the CFPB suggests consumers take the following actions:

- Consider a gift card or other option to block surprise overcharging
- Look for parental controls on payments
- Consider games without in-game purchases
- Limit data collection and sharing on your child's account

The CFPB's suggestions largely mirror the steps that some developers have begun to implement in their games and systems. Console and major game store platforms have parental controls that reduce the likelihood of unauthorized purchases or overcharging, and data collection and privacy settings are more robust and featured prominently within

games and systems. It's likely that other gaming developers will follow-suit, or face CFPB scrutiny.

Although the CFPB may be nostalgic for the days of *Pong* and *Donkey Kong*, in-game purchases are here to stay. Despite being relatively new to video games, microtransactions have rapidly become an integral part of the industry. Mobile apps have historically relied on them to make money. For traditional computer and console games, microtransactions and downloadable content are crucial for developers who want to continue to fund and support their games, in many cases years after the initial release. The revenue from these microtransactions allows developers to provide gamers with new, optional content that breathes new life into their favorite game.

As microtransactions continue to be a significant source of revenue for game developers (an estimated \$80 billion will be spent on microtransactions in 2024) and gaming's popularity and accessibility proliferates, the CFPB is likely to use its UDAAP authority to target practices related to in-game currencies, microtransactions, and player recourse. The industry should take notice and be prepared.

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