

FTC sues Amazon over kids' app charges

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The Federal Trade Commission is suing Amazon over charges that the company has not done enough to prevent children from making unauthorized in-app purchases, according to a complaint filed Thursday in federal court.

The move had been expected since last week, when Amazon said it wouldn't settle with the FTC over the charges. Amazon said in a letter to the FTC last week that it had already refunded money to parents who complained and was prepared to go to court.

On Thursday Amazon said its statements in the letter still apply and did not comment further.

The dispute is over in-app charges in children's games on Kindle devices, where it can sometimes be difficult to differentiate whether users are spending virtual or real currency to acquire virtual items. When it introduced in-app charges in 2011, a password was not required to make any purchase, from 99 cents to \$99. That changed in 2012, when Amazon required a password for charges over \$20. In 2013, the company updated password protection again, but in a way that allowed windows of time where children could still make purchases, according to the FTC complaint.

One woman cited in the complaint said her daughter racked up \$358.42 in charges while playing a game.

FTC Consumer Protection Director Jessica Rich said in a media call that

thousands of consumers had been affected and the unauthorized charges totaled in the millions of dollars.

"A central tenant in consumer protection is that you need to obtain consumer consent before placing charges on their bills," she said. "That applies all places, from brick-and-mortar stores to app stores."

The lawsuit seeks a court order requiring refunds to consumers for unauthorized charges. It also seeks to ban Amazon from billing account holders for in-app charges made without their consent.

Last week the FTC announced a similar lawsuit against T-Mobile. Federal regulators urged consumers to go through their phone bills line by line after the agency accused T-Mobile US of wrongly charging customers for premium services, like horoscope texts and quirky ringtones, the customers never authorized.

The FTC settled with Apple over a similar matter for \$32.5 million in January.

Apple complained at the time. CEO Tim Cook explained to employees in a memo that the settlement did not require the company to do anything it wasn't doing already but he added that it "smacked of double jeopardy" because Apple had already settled a similar class-action lawsuit in which it agreed to refunds.

Amazon said last week its parental controls already go beyond what the FTC required from Apple as part of the settlement.

The complaint was filed in the U.S. District Court for the Western District of Washington.

Amazon's stock slipped \$2.05 to close at \$327.92 in Thursday's trading.

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