Opening Remarks of Chairwoman Edith Ramirez
Google Inc. In-App Purchase Case
Press Call
September 4, 2014

Good afternoon, and thank you for taking part in today's call.

Today, the FTC is announcing a settlement with Google that will require the company to fully refund all unauthorized in-app charges made by children through the Google Play store, totaling a minimum of $19 million. In addition, under the settlement, Google must obtain consumers' express, informed consent before imposing any in-app charges.

This action marks an important step in the Commission's continuing work to ensure that consumers using their mobile devices enjoy the same basic consumer protections that have existed for decades in other contexts. In particular, our settlement with Google underscores the fundamental principle that consumers should never be charged for a good or service without their consent.

Let me briefly describe the allegations in the FTC's complaint against Google. Beginning in 2011, Google began offering in-app charges through apps downloaded from its Google Play store, which serves as the default app store for millions of mobile devices running on the company's Android operating system.

The Google Play store offers many apps that appeal to children, many of which provide an option to buy virtual items to progress through the app. The charge for these virtual goods, sometimes as much as $99.99, is billed to the account holder's credit card.

Our complaint alleges that from 2011 until late 2012, children were able to make unlimited in-app charges without Google requiring entry of a password or other account holder involvement to obtain the account holder's consent before the charges were incurred. Children could rack up charges simply by tapping on pop-up boxes that appeared in the app.

In late 2012, Google began requiring an account password to place in-app charges, but, as our complaint alleges, the system was still fundamentally flawed – the pop-up window asking for an account holder's password contained no information indicating a charge was about to be incurred. In addition, by entering their password in this window, consumers unwittingly opened a 30-minute window in which children could place charges with no further authorization.

Our complaint alleges many thousands of customers filed complaints with Google about unauthorized purchases by children, sometimes ranging into the hundreds of dollars. Consumers complaining to the company noted that their children had no way to know they were spending real money to make purchases within the apps.

Google's own staff pointed to what they referred to as "family fraud" and "friendly fraud" as a leading source of refund requests.

Our settlement with Google will accomplish two main things. First, it will require Google to promptly provide full refunds of a minimum of $19 million to all affected consumers who were billed for unauthorized in-app charges by minors.

Second, the settlement will require Google to change its business practices to ensure that the company gets consumers' express informed consent before incurring an in-app charge. As part of that requirement, Google must inform consumers upfront about any billing window that may be opened and obtain their consent for charges that are incurred.

Today's settlement marks the Commission's third case related to in-app purchases by children. In January, Apple settled similar charges, and the company's refund process to consumers is ongoing. In addition, the Commission recently filed suit against Amazon alleging it charged consumers for children's unauthorized in-app purchases. That litigation is ongoing.

These actions, combined with the FTC's extensive work to fight unauthorized charges on mobile carrier bills, among other work, reflect a strong commitment to protecting consumers in the fast-growing area of mobile payments and commerce. We have seen that consumers are increasingly using smartphones and tablets for many beneficial purposes, from communication to entertainment to shopping. The FTC is committed to keeping consumers protected as this technology becomes more widely available and used, and that includes ensuring that consumers provide their consent before charges are incurred on their mobile devices.

Thank you again for taking part in today's call, and we will open the lines up for questions at this time. With me today are the FTC lawyers responsible for this case: Reilly Dolan, Malini Mithal, Duane Pozza, and Jason Adler. I want to thank them and the rest of the FTC case team, as well as Jessica Rich, the Director of the FTC's Bureau of Consumer Protection for their work on this matter.