



# Research Briefing 3

## Connected Kids? Mobiles, micropayments and children

### **From ringtones to smartphones – PhonepayPlus' experience of children and mobiles**

PhonepayPlus, the UK regulator of premium rate telephone services (PRS), has over 25 years experience regulating the use of phones to pay for goods and services. During that time, we have accumulated a wealth of experience in relation to children's use of PRS and how children buy 'things' with their mobile phones. In the early days of feature phones, for example, we saw a rise in complaints related to ringtones, where children signed up to costly subscription services without realising they were doing so. But smartphones are changing the way children interact with PRS and other micropayments. Although the proportion of complaints involving children seem to have held steady at about 10% of our total volume in the last two years, between 2010/11 and 2011/12 we have seen an almost 300% increase in complaints involving children and mobile apps. While recognising the many positives for children and parents that come with smartphones, PhonepayPlus also aims to understand and act to prevent risks to children using PRS as a micropayment on smartphones.

### **Parental Attitudes**

For many parents and children having a mobile phone is an "independence-enabler" (Ofcom, 2011) giving freedoms and the safety net of quick contact with friends and home. Parents will in most cases remain in control of the phone through the bill – in PhonepayPlus' survey, 84% of children's phone bills are either wholly or partly the responsibility of parents. Although parents supervise their children's access to the internet at home, in our children's survey 2 in 3 children access the internet through a smartphone. Instant, frictionless access to content and services, some of which are charged for though a Smartphone, pose a challenge for parents that PhonepayPlus can help with.

### **Evidence of hidden concerns**

PhonepayPlus received nearly 500 complaints regarding children in the year 2011/12. But this may be the tip of the iceberg. In PhonepayPlus research on online gaming, of those children who had used gaming products, 56% had a problem of some sort but only 6% complained. In 2011/12, PhonepayPlus received complaints relating to children as young as 2 years old, with a peak at around 13, with issues ranging from unsolicited premium rate messages to exposure to sexual material.

### **Digital natives – m-commerce naïve**

In our children's survey, 2 in 3 children use a smartphone and 1 in 5 a tablet giving access to content and technology such as apps. Most young people using smartphones accessed services through appstores or online marketplaces that use a growing number of payment methods. Mobile marketplaces are largely 'frictionless' with quick transactions taking place without the feeling of a sale. Tech savvy children will often look to third party online market places to receive desirable content for 'free'. Some third party market places carry 'knock-off' apps which will often carry malware or will mine for personal data. PhonepayPlus received 123 complaints in 2011/12 regarding misleading services and children, as well as 90 complaints where charged content was advertised as free.

### **"Free" at a price – inappropriate content**

Children like and look for "free stuff" on the web. Many children in our survey played free, ad-funded games and complained about inappropriate ads featuring in these games, describing "censored stuff" and things that they felt that they shouldn't have seen. This content included scantily clad women and dating service promotions that clearly made the children feel uncomfortable:

"There can be some inappropriate ones sometimes... censored things" - Boy, 11

### **PhonepayPlus Research Briefings**

This briefing is part of a series that presents key findings from our research, including the annual market review & children's survey.

This briefing deals with research PhonepayPlus has recently conducted on young people and premium rate services.

To find out more about our research, go to:  
[www.phonepayplus.org.uk](http://www.phonepayplus.org.uk)

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PhonepayPlus received 90 complaints about all forms of inappropriate content last year, but this is likely to be under-representative as young people may not have reported their concerns to their parents. These concerns follow a trend in the market where children use mobile internet to seek out content seemingly without direct cost.

### **Virtual currencies confuse children**

Virtual currencies are bought with 'real' money, via a number of micropayment mechanisms including PRS and are used often in the online area of computer games consoles such as *Xbox Live* or in social network based games such as *Farmville*, *Zynga Poker* or *Gangsters Paradise*. Children can be confused by virtual currencies – users of virtual currencies felt buying 'points' or 'credits' for use in online stores made items feel cheaper than real money value. Nearly half of users find it more difficult to keep track of spending and approximately a quarter have "no idea" how much items actually cost. Most children felt more comfortable using 'real money' as it was clearer how much they were actually spending.

### **Trading on trust? Children, PRS and social networks**

Social networks give opportunities for those who may wish to target children, as children can lack the maturity and knowledge to identify risks in an area where they feel safe talking to friends. Generally, both adults and children are discovering more and more PRS through social networks – 23% of users discovered a service this way in 2011, compared to 4.3% in 2010. Last year, PhonepayPlus received 24 complaints about children and social networks.

One case involved Gangsters Paradise, an online game in which codes for digital items can be bought and sold. Young people were targeted to pay for and send these codes to 'friends' on social networks.

*"Apparently her 'friend' contacted her on a chat service and said that she had no phone credit and her grandmother was dying and needed to make a phone call. She was told to text the shortcode and give the 'friend' a code to make the phone call possible. Apparently the 'friends' account had been hacked"*

*Mother of 14 year-old girl who was billed £31*

### **Work in progress**

PhonepayPlus is already pro-actively addressing some of the risks surrounding mobile micropayments and children, while ensuring services that provide benefits maintain the confidence of children and parents. We have:

- Taken robust action against those who target children
- Put in place our award-winning PhoneBrain consumer education programme and website ([www.phonebrain.org.uk](http://www.phonebrain.org.uk))
- Produced guidance for services- including a recent update on in-app billing
- Covered child protection issues including caps on spending for children's services in our Code of Practice
- Strengthened relationships with a number of interested agencies such as the Gambling Commission, the ASA and the ICO

### **Gaps in protection – micropayments beyond PRS**

Although PhonepayPlus provides robust regulation of the PRS sector other micropayments technology is moving very quickly. New developments in app technology are particularly relevant and digital content can now be paid for through a number of unregulated services. These services in many cases resemble PRS and our Annual Market Review suggests that new micropayment services are used to access similar or the same products as PRS.

Apple has been faced with legal action in the US after children were allowed to run up bills of as much as £1,500 through a non-PRS in-app billing service. PhonepayPlus has extensive experience of these de-coupled digital content services through its work in PRS and is keen to work with other agencies to understand and limit the risks to children using digital micropayments.