

# The Consumer Protection Cooperation Network's Key Principles on In-game Virtual Currencies

The Consumer Protection Cooperation Network (the CPC Network) has seen the need for European consumers to be better protected when playing video games. Therefore, the CPC Network has put together these non-exhaustive key principles for traders in the gaming sector to act in line with the European consumer protection legislation when offering in-game virtual currencies.<sup>1</sup>

*These key principles apply to in-game virtual currencies understood as digital representations of value that are purchased with real-world monetary value and then used by consumers to pay a price in exchange for the supply of in-game digital service or content within a video game.<sup>2</sup> The CPC Network considers in-game virtual currencies as digital representations of real-world monetary value when they serve no purpose other than, or for which other functions are secondary to providing for a method of payment, the purchase of digital content or services in video games (or, where applicable, for the purchase or another in-game virtual currency). In such cases, transactions where consumers pay a price for digital content or services by exchanging in-game virtual currencies for game digital content or services are subject to European consumer protection laws<sup>3</sup>, just like purchases with real-world currencies.*

*Please note that this document is a non-exhaustive list of practices that consumers may encounter when playing video games. It does not preclude the CPC Network from undertaking further actions or activities in the gaming sector.*



## Price information regarding in-game virtual currencies

Both the purchase of in-game virtual currency with real-world money and its subsequent spending in exchange for the supply of digital content and digital services, is subject to the mandatory rules of European consumer protection legislation. This notably involves rules on price transparency and the prohibition of unfair commercial practices.

Exploiting cognitive biases in a manner that causes consumers to either overspend (compared to what they otherwise would have) or to be left with unneeded amounts of in-game virtual currency, is likely to unfairly impact consumers' transactional decisions.

### PRINCIPLE 1:

#### Price indication should be clear and transparent

*The legal basis for this principle is Articles 6 (1) (d) and 7 of the UCPD, and Article 6 (1) (e) of the CRD.*

Information on the price of in-game digital content or services is considered material information. Therefore, the price in real-world money of in-game digital content or services must be provided to consumers in a clear and comprehensible manner in order to allow them to make an informed purchasing decision.

Consumers could easily be misled where the use of in-game virtual currencies make the implications of the purchasing decisions less clear for them. The use of in-game virtual currencies adds an additional layer to the purchase and makes it more difficult for consumers to assess the true cost of the in-game digital content or services.

#### *Action points to be taken:*

- ◆ When in-game virtual currency or in-game digital content or services are offered for sale, their price in real-world money should be clearly and prominently displayed
- ◆ When in-game virtual currency is offered in exchange for another in-game virtual currency which the users can buy with real-world money, its price should be indicated also in real-world money
- ◆ When in-game digital content or services are offered in exchange for in-game virtual currency that can be bought (directly or indirectly via another in-game virtual currency), their price should also be indicated in real-world money.
  - ▶ The price should be indicated based on what the consumer would have to pay in full, directly or indirectly via another in-game virtual currency, the required amount of in-game virtual currency, without applying quantity discounts or other promotional offers
  - ▶ Although consumers may acquire in-game virtual currency in different ways and quantities, for example through gameplay or due to promotional offers, this does not change the price of the in-game digital content or services itself. The price must constitute an objective reference for what the real-world monetary cost is, regardless of how the consumer acquires the means to purchase it



## PRINCIPLE 2:

### Practices obscuring the cost of in-game digital content and services should be avoided

*The legal basis for this principle is Articles 6 (1) (d) and 7 of the UCPD, and Article 6 (1) (e) of the CRD.*

Price information is material information, and consumers should be able to understand the true cost of purchasing in-game digital content or services by having its price indicated in real-world money. Consequently, traders should not engage in practices that could mislead consumers by obscuring the price of in-game digital content or services they offer.

When providing several different types of in-game virtual currencies within the same video game, or when a purchase of in-game items requires several exchanges of in-game virtual currencies before making the intended transaction, understanding its price becomes particularly difficult.

#### *Practices to avoid:*

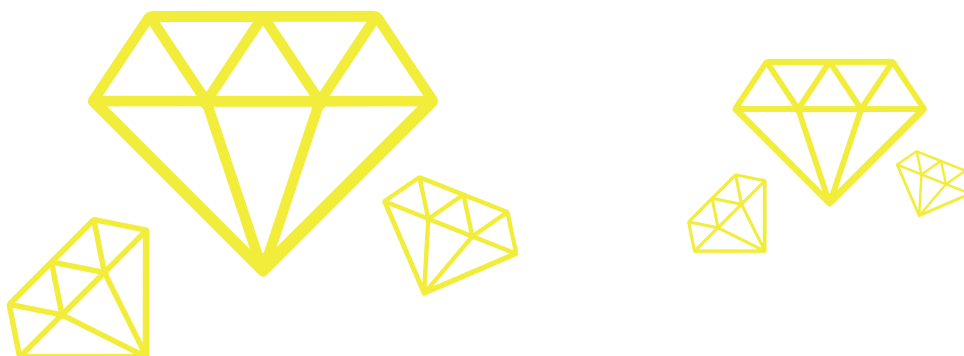
- ◆ Offering for purchase and mixing different in-game virtual currencies in one video game for purchasing in-game digital content or services
- ◆ Requiring several exchanges of in-game virtual currencies before making any in-game purchase

## PRINCIPLE 3:

### Practices that force consumers to purchase unwanted in-game virtual currency should be avoided

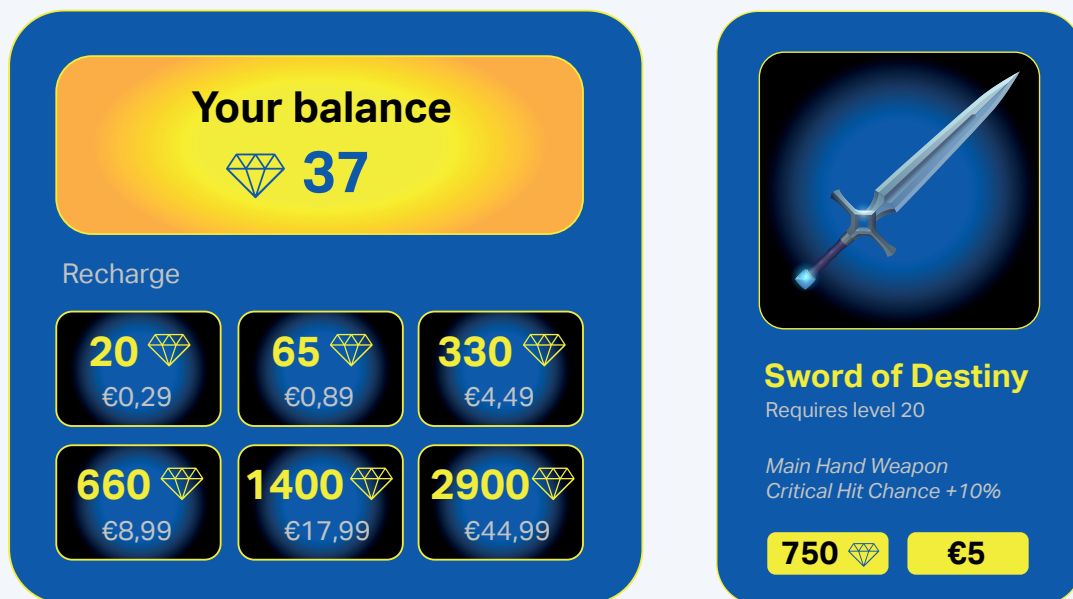
*The legal basis for this principle is Articles 5, 8 and 9 of the UCPD.*

Traders should not engage in practices distorting the economic behavior of consumers by designing video games in ways that force the consumers to spend more real-world money on in-game currency than they need to buy the selected in-game content or services.



### Practices to avoid:

- ❖ Offering in-game virtual currencies only in bundles mismatching the value of purchasable in-game digital content and services
- ❖ Denying consumers the possibility to choose the specific amount of in-game virtual currency to be purchased



## Pre-contractual information and contract terms

Contracts where consumers pay with in-game virtual currencies are subject to mandatory European consumer protection legislation. Consumers are entitled to the necessary pre-contractual information set out in the relevant legal provisions. They are also entitled to contract terms that are fair, clear and intelligible. Traders should therefore ensure the following principles:

### PRINCIPLE 4:

#### **Consumers should be provided with clear and comprehensible pre-contractual information**

*The legal basis for this principle is Article 6 of the CRD.*

When offering consumers the purchase of in-game virtual currencies, traders should comply with their legal obligations to provide consumers with clear and comprehensible pre-contractual information. This information should also be provided when offering to purchase in-game digital content or services, whether in exchange for real-world money or through the spending of in-game virtual currency.

### *Action points to be taken:*

- ◆ Accompany any offer to purchase in-game digital content or services in exchange for real-world money or virtual currency with the necessary pre-contractual information. This includes, but is not limited to, information on:
  - ▶ The main characteristics of the in-game digital content or services or virtual currency
  - ▶ The identity and contact details of the trader
  - ▶ The price in real-world monetary value
  - ▶ The existence and conditions of the consumer's right of withdrawal
  - ▶ The legal guarantee of conformity for digital content and services
  - ▶ The payment and delivery methods

## PRINCIPLE 5:

### **Consumers' right of withdrawal should be respected**

*The legal basis for this principle is Articles 9 to 16 of the CRD.*

When offering to purchase either in-game virtual currency, digital content or services, the trader should comply with European consumer protection legislation and inform consumers of the steps for exercising their right of withdrawal and, where applicable, allow them to exercise that right within 14 days of the purchase.

For digital content to be exempted from the right of withdrawal, the consumer must give their express consent to begin using the content or service immediately (before the 14-day period expires) and acknowledge that their right of withdrawal will be lost. The consent and acknowledgement can be requested and provided together in a single click but separately from the click to purchase the digital content, e.g. the "buy" button. In addition, the trader must provide the consumer with confirmation of the respective contract including confirmation of the consumer's express consent and acknowledgment.

### *Practices to avoid:*

- ◆ Exempting the purchase of in-game virtual currency, which is not digital content, from the right of withdrawal
- ◆ Denying consumers' right to withdraw from a contract for the purchase of in-game virtual currency within 14 days for any in-game virtual currency that remains unused
- ◆ Denying consumer's right to withdraw from contracts for the purchase of in-game digital content or services, regardless of whether the player pays with real-world money, in-game virtual currencies, or provides personal data to the trader

## PRINCIPLE 6:

### **Contractual terms should be fair and written in plain and clear language**

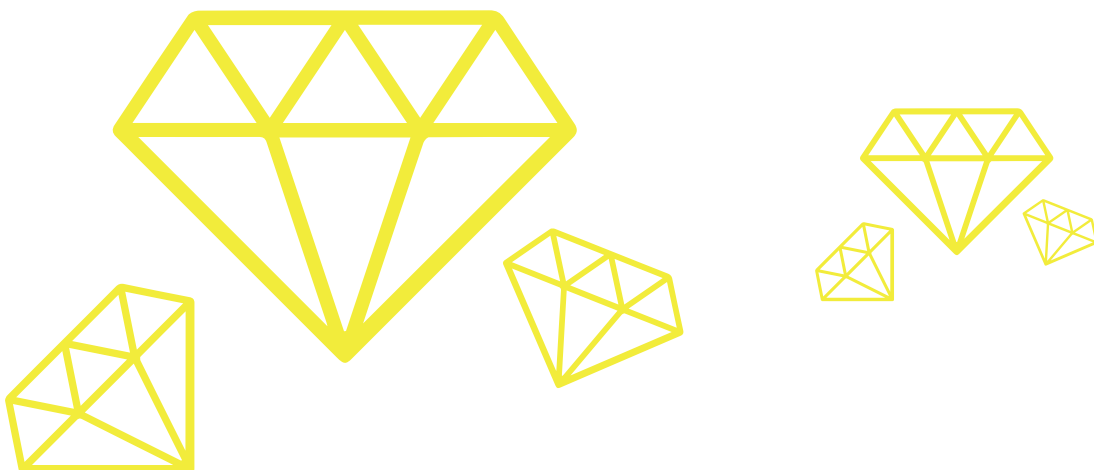
*The legal basis for this principle is Article 3 (1) and (3) of the UCTD.*

The terms and conditions of the video game and any contractual terms related to the purchase of in-game virtual currency, or the purchase of digital content or services with in-game virtual currency should be written in plain and clear language.

Contract terms cannot limit the consumers' statutory rights when making purchases with virtual currencies. As these contractual terms are, in most cases, not individually negotiated with consumers, they should not be written in such a way as to cause a significant imbalance in the parties' rights and obligations under the contract, to the detriment of the consumer.

#### *Terms to avoid:*

- ❖ Terms that give the trader the unilateral right to cease, modify or withdraw the purchased digital content or services or the purchased in-game virtual currencies at any moment in an unfair manner
- ❖ Terms which deny or limit consumers their legal rights or their ability to exercise those rights, including when making purchases using in-game virtual currencies
- ❖ Terms giving unilateral rights to traders to remove content or features in the video game at any moment, particularly if the content or feature is purchasable for consumers, and consumers could expect it to remain at the time of purchase
- ❖ Terms granting traders a right to unilaterally modify the value of in-game virtual currencies
- ❖ Terms granting traders the ability to ban, suspend or remove consumers' access to their accounts or purchased digital content or services without the ability to contest the reason for this action



## Vulnerable consumers

The European consumer protection legislation requires traders to be particularly cautious when consumers are vulnerable to certain commercial practices and the trader can be reasonably expected to foresee this. Consumers can be vulnerable on the account of for example, their age, mental or physical infirmity, and credulity but this is not an exhaustive list of factors of vulnerability.

When it comes to video games, the vulnerability of consumers must be assessed within the context of the specific video game. Certain group of consumers are always considered vulnerable, such as children, while other consumers may be considered vulnerable only in context. For example, a consumer that outside of a video game would generally not be considered a vulnerable consumer, may be vulnerable in the context of a video game that includes practices that could exploit a specific vulnerability, for example problematic spending behavior.

Therefore, traders should adapt their practices according to the consumers that could actually be reached by the practice, not only according to the intended target group. In this sense, traders in the video game industry should be particularly cautious of their games being likely to appeal to children even if they are not the target audience.

### PRINCIPLE 7:

#### **Game design and gameplay should be respectful of different consumer vulnerabilities**

*The legal basis for this principle is Articles 5-8 and Point 28 of Annex I of the UCPD.*

The use of in-game virtual currencies psychologically disconnects the act of spending from real-world money for all players which, in turn, leads to higher expenditure of real-world money. This is essentially a commercial practice that is likely to materially distort the economic behavior of consumers. This is especially true for vulnerable consumer demographics, such as children. The reason for this is that children are more vulnerable than adults when it comes to advertisements and other commercial practices. When it comes to in-game virtual currencies, children are more susceptible to the obscuring effects that often comes with this type of commercial practice.

Given the widespread popularity of video games among children, any video game which is not exclusively intended for an adult audience should expect a significant part of its player base to be under the age of 18 years. This places a particular responsibility on traders to avoid commercial practices that are likely to distort children's economic behavior by exploiting, for example, their lack of experience, economic knowledge, or natural credulity.

Traders should make use of parental controls and consumer-friendly default settings to reduce the risk of vulnerable consumers being unfairly influenced. Nevertheless, age gates and parental control functions do not limit traders' responsibilities to adapt their practices to the players.

Consumers that are willing to spend excessive amounts of money on and in a video game, so called 'whales', may be considered vulnerable since they are likely to struggle with impulse control or gambling disorders. Consequently, video games that base their business model on targeting 'whales' are likely to target a vulnerable group of consumers. Therefore, the fairness of their commercial practices is to be assessed according to a stricter threshold.

### *Action points to be taken:*

- ❖ When designing a video game that includes in-game virtual currencies, consider the vulnerabilities of the players, and ensure that the gameplay does not exploit these vulnerabilities or unfairly influence consumers' economic behavior
- ❖ When designing commercial practices that encourage the purchase and/or use of in-game virtual currencies, including advertising and marketing techniques, consider the specific vulnerabilities of the player demographics and ensure that they do not exploit these vulnerabilities or unfairly influence the economic behavior of these consumers
- ❖ When designing the gameplay, always ensure that the commercial element of in-game advertisements related to in-game virtual currencies, digital content and services to be purchased with in-game virtual currencies, are sufficiently clear and distinguishable from the gameplay
- ❖ Do not use commercial practices that directly exhort children to buy in-game virtual currencies or digital content or services, or persuade adults to buy it for them or on their behalf
- ❖ Ensure that functional parental controls with age-appropriate default settings are provided, such as by default disabling the possibility of spending real-world money in the video game if the video game is not exclusively limited to an adult audience only
- ❖ Use the platform-level parental controls offered by the platform on which the video game is available
- ❖ Avoid basing the business model on practices exploiting vulnerable consumers' willing to spend excessive amount of real-world money in a video game

<sup>4</sup>These key principles and the recommendations contained in it are without prejudice to the applicable European consumer protection legislation, including, where applicable, the national rules implementing or executing those rules. Implementing the recommendations contained in this document is therefore no guarantee for compliance with the legal requirements. Likewise, not respecting the recommendations contained in this document cannot be automatically considered unlawful. The present document does therefore by no means bind the national authorities or the European Commission. Solely the competent authorities and courts can finally decide on the legality of commercial practices, processing operations etc. under the applicable legislation.

<sup>5</sup>Cryptocurrencies or similar digital currencies that constitute an alternative form of payment using encryption algorithms are excluded, as are virtual currencies in the concrete sense defined in Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 on anti-money-laundering mechanisms. Furthermore, in-game virtual currencies that can solely be obtained through gameplay and that are therefore not available to purchase with real-world money, is also excluded.

<sup>6</sup>The practises outlined in this document are assessed under the Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 on unfair commercial practices (UCPD); the Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 on consumer rights (CRD); the Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts (UCTD).