

Apple to pay back at least \$32.5 million for kids' app purchases

By Associated Press, adapted by Newsela staff

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Children on iPads at Jamestown Elementary School in Arlington, Virginia, March 13, 2012.

WASHINGTON—When Jackie Nussbaum got a \$600 credit card bill from Apple, she couldn't believe it.

Jackie Nussbaum knew her son liked playing “DragonVale” on the family iPad. In “Dragonvale,” kids care for cute dragons from the time they were eggs. But she had no idea he was buying pretend gems—with real money—to build his dragon park.

“I thought it was a mistake, that someone had stolen my credit card,” said Nussbaum. She is the mother of two children from Westerville, Ohio. Apple told her the charges were not a mistake, that they came from “DragonVale” and they were made all in a single day.

“I almost choked,” she said. “It was shocking.”

Parents Unaware Of App Purchases

Tens of thousands of people who received similar shocks complained to the Federal Trade Commission (FTC). The FTC is the federal agency that protects customers against being cheated. On

Wednesday, the FTC said that Apple will give back at least \$32.5 million to parents, like Nussbaum. Their children all had spent money in the Apple store without their parents' permission.

Edith Ramirez is the head of the FTC. She said it's against the law to charge people for purchases they didn't approve.

Too often, the FTC said, parents did not know that their children were buying things within a game, like gems, coins or treats for pets. And Apple didn't do enough to make this clear. Parents also didn't know that entering their password to buy an app started a 15-minute clock. During this time, kids could buy things without reentering the password.

As part of the agreement, Apple also must change the way it bills customers. Apple must let people know when a purchase is made through a game or app.

Tim Cook, the head of Apple, said the company gave in to the FTC. The agreement "does not require us to do anything we weren't already going to do. So we decided to accept it rather than take on a long and distracting legal fight."

Apple's store is a "safe place for customers of all ages," Cook said.

As soon as Nussbaum found the charges, she called Apple right away. The company gave her back the \$600 that her son, Andrew, spent. Nussbaum said Andrew, who was 10 at the time, had no idea he was buying gems with "real money." He felt so bad, she said, he was going to sell his old toys to pay her back. Because his mom got her money back, he didn't have to sell his toys.

Nussbaum also said Apple helped her set up passwords so this doesn't happen again. She hasn't had a problem since.

Game Is Free, But Apps Aren't

Other parents haven't been so lucky. One parent told the FTC her daughter had spent \$2,600 in "Tap Pet Hotel." It's a game in which children build their own pet hotels. The game is free. But kids must pay for bowls of treats and sacks of coins.

Others parents reported their children spent more than \$500 in two other games. These games were "Dragon Story" and "Tiny Zoo Friends."

Last year, a group of angry parents sued Apple. Apple agreed to give money back to 28 million of its app customers. Apple offered them a \$5 store credit or \$30 in cash if their children had spent at least that much without their permission. The deadline for filing a claim was Monday.

About 37,000 people filed claims. This is according to Cook.

Apple claimed the FTC was being unfair. Cook said that Apple already solved the problem when it agreed to give parents credits or cash. He complained that Apple was being sued twice for the same problem.

Apple's store has made a tremendous amount of money for game developers and the company. Apple keeps about 30 percent of the money from all app purchases. Apple says its customers spent more than \$10 billion on app purchases last year. That means Apple made about \$3 billion from the app store.

In the FTC case, Apple must pay parents back the total cost of whatever their kids spent. The \$32.5 million is the least amount of money Apple will have to pay. As part of the settlement, if the total comes to less than \$32.5 million, the FTC would get the difference.