

CARE Submission to Call for Evidence: Loot Boxes in Video Games

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Introduction

1. CARE (Christian Action Research and Education) is a well-established mainstream Christian charity providing resources and helping to bring Christian insight and experience to matters of public policy and practical caring initiatives in the UK. CARE has a long track record of advocacy on the issue of gambling regulation. CARE is pleased to provide this submission on the use and impact of loot boxes in video games. We can be contacted about this response and comments made in this submission may be attributed to CARE. We have answered questions on loot box harms and in-game purchases.

Background to Concerns

2. CARE is concerned about loot boxes because of their links to gambling related behaviour. “Loot boxes” allow gamers to purchase “mystery” items that can improve a player’s appearance (i.e. skins) or the player’s performance in a particular game but with no transparency of the odds of being successful. Since it is chance as to what items are included in any purchase, it is effectively gambling.
3. The contents of boxes can be gambled¹ or, in some cases, traded in for cash. CARE is also extremely concerned about skins gambling, whereby in-game purchases become a source of virtual currency and can be used to gamble as virtual currency.²
4. As virtual currency is regarded as having value as “money’s worth”, the Gambling Commission advice to operators on skins gambling is, “*Where facilities for gambling are offered using such items, a licence is required in exactly the same manner as would be expected in circumstances where somebody uses or receives casino chips as a method of payment for gambling, which can later be exchanged for cash*” but notes that many of the sites are ‘unregulated’.³ While the Commission says that it has “*carried out extensive actions to disrupt and deter unlawful activity, which might present a risk to children and young people*”, skins gambling continues. The Digital, Culture, Media and Sport Select Committee argued that there need to be changes to the existing legal concept of ‘money’s worth’.⁴ In 2019, the Royal Society for Public Health (RSPH) called for skins gambling to be a clearly recognised form of gambling under the law.⁵
5. The Gambling Commission identified loot boxes as blurring the lines between video gaming and gambling in a statement posted on the Commission’s website on 24 November 2017.⁶ The Gambling

¹ Macey J, Humari J, eSports, skins and loot boxes: Participants, practices and problematic behaviour associated with emergent forms of gambling, *New Media & Society*, 2019, Vol. 21(1) 20-41, pages 33 and 35

<https://journals.sagepub.com/doi/abs/10.1177/1461444818786216>

² Skin gambling: teenage Britain’s secret habit, *Parent Zone*, June 2018

https://parentzone.org.uk/system/files/attachments/Skin_Gambling_Report_June_2018.pdf

³ Virtual currencies, eSports and social casino gaming - position paper, March 2017, paras 3.8, 3.12-3.16,

<http://www.gamblingcommission.gov.uk/PDF/Virtual-currencies-eSports-and-social-casino-gaming.pdf>

⁴ House of Commons, Digital, Culture, Media and Sport Select Committee, *Immersive and addictive technologies*, September 2019, HC 1846, paragraph 97, <https://publications.parliament.uk/pa/cm201719/cmselect/cmcmds/1846/1846.pdf>

⁵ *Skins in the Game*, Royal Society for Public Health, December 2019, page 32

<https://www.rsph.org.uk/static/uploaded/be3b9ba8-ea4d-403c-a1cee2ec75dcefe7.pdf>

⁶ “We are concerned with the growth in examples where the line between video gaming and gambling is becoming increasingly blurred”

<https://www.gamblingcommission.gov.uk/news-action-and-statistics/news/2017/Loot-boxes-within-video-games.aspx>

Commission's position paper on *Virtual currencies, eSports and social casino gaming* published in March 2017 did not address loot boxes, but Government statements say "*Loot boxes do not fall under gambling law where the in-game items acquired are confined for use within the game and cannot be cashed out.*"⁷ The Gambling Commission, in their evidence to the DCMS Select Committee, said that loot boxes could be gambling in certain circumstances and recognised that their paper on virtual currencies preceded the concerns about loot boxes.⁸

6. An international declaration, entitled *Declaration of gambling regulators on their concerns related to the blurring of lines between gambling and gaming*, and signed in September 2018 said, "*Given these shared principles, we are increasingly concerned with the risks being posed by the blurring of lines between gambling and other forms of digital entertainment such as video gaming. Concerns in this area have manifested themselves in controversies relating to skin betting, loot boxes, social casino gaming and the use of gambling themed content within video games available to children.*"⁹
7. In 2019, the Children's Commissioner for England,¹⁰ the Digital, Culture, Media and Sport Select Committee¹¹ and the RSPH¹² called for loot boxes to be recognised as a form of gambling within the GB Gambling Act 2005. The House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry recommended that Government should treat loot boxes as a priority outside of a wider review, saying "*Ministers should make regulations under section 6(6) of the Gambling Act 2005 specifying that loot boxes and any other similar games are games of chance, without waiting for the Government's wider review of the Gambling Act.*"¹³

Evidence on loot box harms

8. CARE believes that **loot boxes cause harm to players because of their links to gambling.** A 2018 academic paper states "*loot-box systems share important structural and psychological similarities with gambling.*"¹⁴
9. A number of journals suggest that loot boxes are linked to **problem gambling in adults:**
 - 9.1. "*Early evidence suggests that higher levels of involvement in monetised gaming activities may be associated with symptoms of problematic gaming or gambling*"¹⁵
 - 9.2. A study published in 2020 "*suggests that game-related gambling and gambling-like behaviours may be relatively widespread amongst UK adults. It also provides initial evidence that all of these practices are significantly linked to both problem gambling and disordered gaming.*"¹⁶
 - 9.3. "*...there are key similarities between loot boxes and gambling. These similarities may cause individuals who are already problem gamblers to spend large amounts of money on buying loot boxes in games, just as they would spend large amounts of money on other forms of gambling.*"¹⁷

⁷ <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Lords/2018-12-03/HL11957/>

⁸ Oral evidence from the Gambling Commission to the DCMS Inquiry, 22 July 2019, Q1555 and Q1558
<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/digital-culture-media-and-sport-committee/immersive-and-addictive-technologies/oral/103954.pdf>

⁹ Declaration 17 September 2018, <https://www.gamblingcommission.gov.uk/PDF/International-gaming-and-gambling-declaration-2018.pdf>

¹⁰ Gaming the System, Children's Commissioner for England, October 2019, page 4,
<https://www.childrenscommissioner.gov.uk/wp-content/uploads/2019/10/CCO-Gaming-the-System-2019.pdf>

¹¹ Digital, Culture, Media and Sport Select Committee, Immersive and addictive technologies, *Op Cit*, paragraph 98

¹² Skins in the Game, Royal Society for Public Health, *Op Cit*, page 32

¹³ House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry: *Gambling Harm - Time for Action*, July 2020, para 449, page 115
<https://committees.parliament.uk/publications/1626/documents/19602/default/>

¹⁴ Drummond A, Sauer D, Video game loot boxes are psychologically akin to gambling, *Nature Human Behaviour*, Vol 2, August 2018, pages 530-532, <https://www.nature.com/articles/s41562-018-0360-1>

¹⁵ King DL and Delfabbro PH, The convergence of gambling and monetised gaming activities, *Current Opinion in Behavioral Sciences*, Vol 31, Feb 2020, pages 32-36, <https://doi.org/10.1016/j.cobeha.2019.10.001>

¹⁶ Zendle D, Beyond loot boxes: a variety of gambling-like practices in video games are linked to both problem gambling and disordered gaming, 2020, *PeerJ* 8:e9466 <https://doi.org/10.7717/peerj.9466>

¹⁷ Zendle D and Cairns P, Video game loot boxes are linked to problem gambling: Results of a large-scale survey, 2018, *PLoS ONE* 13(11): e0206767. <https://doi.org/10.1371/journal.pone.0206767>, pages 2, 4, 6-7, 10

- 9.3.1. In the survey conducted for the research, 78% of participants (all adults) had purchased a loot box. The research suggests *“there is an important relationship between problem gambling and the use of loot boxes. The more severe that participants’ problem gambling was, the more money they spent on loot boxes”*.¹⁸
- 9.3.2. The authors concluded, *“we believe that the strength of the relationship that was observed here between problem gambling and loot box spending suggests that important gambling-related harm is experienced by users of loot boxes.”*¹⁹
10. A recent article published at the end of October looked at the **behaviour of young people 16-24** in Great Britain suggesting, similar to adults, a link to problem gambling. This concluded that *“Young adults who purchase loot boxes are more likely to be gamblers and experience problem gambling than others...The purchase of loot boxes was highly associated with problem gambling, the strength of this association being of similar magnitude to gambling online on casino games or slots. Young adults purchasing loot boxes within video games should be considered a high-risk group for the experience of gambling problem.”*²⁰ On 13 November, the BBC reported on concerns from the NHS Northern Gambling Service that thousands of pounds have been spent on loot boxes during the pandemic and that younger adults are at risk of spending money on loot boxes.²¹
11. CARE is concerned that there would be a similar **harm for children** linked to early gambling behaviours and problem gambling for two reasons.
- 11.1. Problem gambling in young people aged 11-16 has generally been higher than the average population. In 2019 Gambling Commission data showed that 1.7% of 11-16 year olds in GB were deemed to be problem gamblers;²² and in 2020, 1.9% of 11-16 year olds in England and Scotland,²³ compared to the general population in England where the rate is 0.5% and 0.6% for Great Britain.²⁴
- 11.2. In the data published by the RSPH in 2019, 58% of young people purchasing a loot box and 60% taking part in skin betting classified these actions as a form of gambling. Gambling-like activity through video and mobile gambling was the form of gambling that young people they participate in most frequently.²⁵
- 11.3. A recent longitudinal study on gambling habits in young people found *“Patterns of problem/moderate risk gambling were set by the age of 20 years”*²⁶ so new mechanisms that encourage gambling type behaviour are concerning when young people seem able to purchase loot boxes easily.

Evidence on In-game purchases

Purchases by children and young people

¹⁸ *Ibid*

¹⁹ *Ibid*

²⁰ Wardle H Wardle, Zendle D. Cyberpsychology, Behavior, and Social Networking. Ahead of print, 28 October 2020
<http://doi.org/10.1089/cyber.2020.0299>

²¹ Coronavirus: The gamers spending thousands on loot boxes, BBC News, 13 November 2020,
<https://www.bbc.com/news/uk-england-54906393>

²² Young People and Gambling 2019, A research study among 11-16 year olds in England and Wales, November 2019, pages 3 and 44
<https://www.gamblingcommission.gov.uk/PDF/Young-People-Gambling-Report-2019.pdf>

²³ Young People and Gambling, Statistical Release for 2020. Note that no report had been published as of 19 November 2020 and that the data set is restricted because of the COVIDS-19 pandemic

<https://www.gamblingcommission.gov.uk/news-action-and-statistics/Statistics-and-research/Levels-of-participation-and-problem-gambling/Young-persons-survey.aspx>

²⁴ Gambling Participation 2019: behaviour, awareness and attitudes, Feb 2020, page 5

<https://www.gamblingcommission.gov.uk/PDF/survey-data/Gambling-participation-in-2019-behaviour-awareness-and-attitudes.pdf>

²⁵ Skins in the Game, Royal Society for Public Health, *Op Cit*, page 21

²⁶ Emond A et al, A longitudinal study of gambling in late adolescence and early adulthood: the ALSPAC Gambling Study, December 2019, page 4, <https://about.gambleaware.org/media/2069/alspac-gambling-study-report-for-gamble-aware-dec-2019.pdf>

12. The Gambling Commission has published data for the last three years **on the involvement of young people and “skins gambling” in Great Britain**. The Young People and Gambling 2017 report showed that 20% of boys said that they have been involved with skins gambling.²⁷ The 2018 data suggests that only 3% of young people (figures not broken down by gender in 2018) were involved in skins gambling.²⁸ The 2019 data suggests that of those who are aware of in-game purchases, 6% gamble with skins (which is 3% of all young people).²⁹ No explanation has been given in the Commission’s Report as to why there is such a difference between the 2017 and later figures for skin gambling, which is disappointing since there is clear international concern about this issue. The Parent Zone Report on skins gambling published in June 2018 suggest that 10% of 13-18-year-olds have gambled with skins.³⁰
13. Loot boxes are a way of video game companies increasing revenue. It has been estimated that the global spend on loot boxes will be \$22 billion by 2022.³¹ The Gambling Commission reported that in 2019, 52% of **11-16-year olds in Great Britain aware of being able to purchases** in-game items (e.g. weapons, power-ups and tokens) of which 44% of had bought loot boxes/crates/packs and 6% have bet with in-game items on websites outside of the game or privately with friends.³² In a survey conducted by the RSPH, twice as many 11-14 year olds said they had bought a loot box in the previous week compared to 22-24 year olds, suggesting that loot boxes are particularly attractive to children. A similar figure was found for those who had taken part in skins betting.³³

Loot boxes available in games deemed suitable for children and young people

14. A recent academic paper concluded *“Loot boxes appear to be prevalent in video games that are deemed suitable for children, especially on mobile platforms.”*³⁴ The research set out the findings of a study on how frequently the top games on mobile phone stores and the game platform, Steam, contained loot boxes and how often they were deemed suitable for children. The findings report, *“A total of 58.0% of the top games on the Google Play store contained loot boxes, 59.0% of the top iPhone games contained loot boxes and 36.0% of the top games on the Steam store contained loot boxes; 93.1% of the Android games that featured loot boxes and 94.9% of the iPhone games that featured loot boxes were deemed suitable for children aged 12+. Age ratings were more conservative for desktop games. Only 38.8% of desktop games that featured loot boxes were available to children aged 12+.”*³⁵ Based on these numbers **more than 50% of games on mobile phone platforms contain loot boxes considered suitable for children aged 12+.**

Mobile games with loot boxes	Number of mobile games with loot boxes deemed suitable for children aged 12+
58 of out the top 100 on the Google Play Store	54 (93.1%) of the top 100
59 out of the top 100 on the Apple App Store	56 (94.9%) of the top 100

Conclusion

15. On the basis of the evidence on the links to problem gambling, one set of authors said, *“We strongly recommend that relevant national and federal regulatory authorities consider restricting access to*

²⁷ Young People and Gambling 2017, Gambling Commission, page 5, <https://www.gamblingcommission.gov.uk/PDF/survey-data/Young-People-and-Gambling-2017-Report.pdf>,
²⁸ Young People and Gambling 2018, Gambling Commission, page 28
<https://www.gamblingcommission.gov.uk/PDF/Gambling-and-children-and-young-people-response-2018.pdf>
²⁹ Young People and Gambling 2019, *Op Cit*, page 40
³⁰ https://parentzone.org.uk/system/files/attachments/Skin_Gambling_Report_June_2018.pdf, page 5
³¹ <https://www.juniperresearch.com/press/press-releases/loot-boxes-and-skins-gambling>
³² Young People and Gambling 2019, *Op Cit*, page 40
³³ Skins in the Game, Royal Society for Public Health, *Op Cit*, page 23
³⁴ Zendle D et al, The prevalence of loot boxes in mobile and desktop games, 2020, *Addiction*, Sept 2020, Vol 115(9), 1768-1772
<https://doi.org/10.1111/add.14973>
³⁵ *Ibid*

*loot boxes as if they were a form of gambling.*³⁶ Indeed, a number of US States have considered or are considering legislation to outlaw loot boxes.³⁷ Belgium has outlawed them.³⁸ In the Netherlands the gambling regulator has taken legal action on loot boxes in the FIFA game.^{39 40}

16. As skins and loot boxes are attractive and accessible to children and young people, **CARE urges the Government to take action** to meet the third licensing objective of the Gambling Act 2005, “*protecting children and other vulnerable persons from being harmed or exploited by gambling*” by bringing skins gambling and the purchase of loot boxes firmly within the Gambling Act so there is no uncertainty for consumers, parents, game manufacturers nor regulators.

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³⁶ Zendle D and Cairns P, 2018, *Op Cit*

³⁷ <https://www.nytimes.com/2018/04/24/business/loot-boxes-video-games.html>

³⁸ <https://www.theguardian.com/games/2018/nov/21/square-enix-pulls-games-mobius-final-fantasy-belgium-loot-box-ban>

³⁹ <https://whpartners.eu/news/5m-in-penalties-for-ea-following-landmark-judgement-in-the-netherlands-regarding-loot-boxes>

⁴⁰ Note that games producer EA is also facing other legal cases related to loot boxes in [Canada](#) and [California](#) (as is [Apple](#) on loot boxes in its App Store)