



# European Parliament: Loot boxes in online games and their effect on consumers, in particular young consumers

**The European parliament calls for more consumer protection, less gambling legislation.**

Legislator: The European Parliament



## JURISDICTION RELEVANCE:

Europe

## WHAT YOU SHOULD KNOW:

July 2020, The European Parliament released a report on loot boxes. A literature review, interviews with experts and survey of existing regulation and self-regulation, inform a set of recommendations for further action to the European Commission<sup>1</sup>. The takeouts are as follows:

- Although academics have identified a relationship between spending money on loot boxes and problem gambling, there is no consensus on a causal link. David Zendle's research is cited, showing this association is stronger amongst adolescent - more research is especially needed in this area.
- Loot boxes do not satisfy the legal test for gambling as it stands in most European jurisdictions, namely, consideration, chance and prize. The exception is where virtual items can be traded and, here, a gambling legislative solution may be appropriate.
- Elsewhere, the paper is critical of the minority of member states that have applied gambling legislation to loot boxes. Firstly, because it adversely affects the Single Market for video games. Secondly, because it fails to consider loot boxes as one facet of a host of potentially "problematic" in-game monetization techniques.
- Instead, the Commission should take a "holistic"

consumer protection approach. Industry initiatives including consumer information, transparency and parental controls should be "systematically verified" by independent bodies. Whether the Commission advances non-binding recommendations or mandatory legislation may depend on the results of this consumer testing.

## MOST TELLING:

**"Inspiration for potential actions can be taken from... the Consumer Rights Directive...the Tobacco Products Directive...the Audiovisual Media Services Directive should these existing practices (which are mostly voluntary) be found insufficient to protect players from potentially harmful effects of loot boxes, they could be regulated at EU level in a similar manner."**

## DELANY & CO HOT TAKE:

At a time where moral panic is commonplace this is a remarkably impartial, thorough and evidence-based study of loot boxes. It will assist the case against the imposition of gambling-style regulation in other jurisdictions. But moderate as the tone may be, it is far from an exoneration. The suggestion for at-scale, independent, standards testing for developer-led initiatives, is groundbreaking and, there, is a real hint that regulation could follow if the results are found wanting, above all for under 18's.

### Endnotes

[1] The European Parliament does not have the power to legislate and acts in an advisory capacity to the European Commission