A problem hiding in plain sight?

Children spending, making and losing money online

parentzone

Preface

In recent years, Parent Zone has become increasingly concerned about online financial harms to children.

In 2019 we published The Rip-Off Games[1], exposing the way in which the business model of online video games requires children and young people to pay money, and keep on paying, in order to play.

In 2018, we produced Skin Gambling[2], in which we showed how children were being enabled to gamble with skins (typically weaponry or costumes for characters) and revealed how laws designed to prevent children from gambling were being flouted.

Compared to other online harms, those involving money have generally received scant attention. One can only speculate as to why, but one factor may be that children are not seen as having financial agency. Another may be that the sums involved are thought to be small, and consequently the harm not significant.

Where financial harms are connected to other serious offences – child sexual exploitation and abuse, for example, or the drugs trade – the financial element has tended to be seen as subsidiary, a by-product rather than central.

Meanwhile, as the arguments surrounding the forthcoming Online Safety Act have shown, legislation has often struggled to keep pace with technology. This is as true of financial harm as of other harms online. A patchwork of protections does exist, but they are overlapping, confusing and not focused on the often very different online context.

Given the lack of scrutiny, there have been limited incentives for most platforms and services to pay attention to financial harms to children. The novel ways in which technology intermediates between traders has given them plausible deniability.

At Parent Zone, we have become increasingly convinced that financial harms to children are worthy of greater scrutiny. In 2023, we put together a consortium with the PSHE Association, UK Finance, Cifas, Reason Digital and Dr David Zendle from York University, backed by Nominet, with the aim of exploring some of our shared ideas and hypotheses.

1 The Rip-off Games (2019)
2 Skin gambling: teenage Britain's secret habit (2018)

We are only just beginning this work, which is already creating interesting conversations and insights. We hope these will lead in due course to better ideas about how to prevent online financial harms to children and to ensure that there is better support for those who are affected.

One of our first tasks was to answer the fundamental question of whether or not children have financial agency online. Are children and young people commonly spending, making and losing money?

We wanted to talk to children themselves. In the late summer of 2023, we conducted a survey of 13-18 year-olds with Ipsos. Alongside this, we ran focus groups in three secondary schools, with young people aged from 11 to 18. This paper outlines our findings.

Our central insight is that for children, spending money online is absolutely normal. Much of this spending takes place without parental oversight. Losing money is also commonplace. Children are not immune to scams or financial exploitation. Often these harms go unreported.

Vicki Shotbolt, founder and CEO, Parent Zone

The background – why are we concerned?

In the last 20 years, the internet has had an impact on almost every aspect of family life. The ways in which we make, spend and, sometimes, lose money are no exception.

Many adults earn their living sitting in front of a screen. Most of us bank online, save online, and shop online for all manner of things, from the weekly supermarket shop or clothes to streaming services. We send money to family or tradespeople through electronic transfers. Some of us gamble online. (Quite a lot of us gamble online: revenue in the UK online gambling market was £6.9bn in the year to March 2021, up 18% on the previous year[3].)

According to the World Economic Forum, in the 10 years from 2020, the digital economy will account for 70% of the new value created in the global economy[4].

We can make payments in seconds, from the bus stop or a cafe. We can move our money into savings accounts or foreign currencies in less time than it takes to make a sandwich or send an email; we can even transfer our funds into weightless new cryptocurrencies. This lack of friction, convenient as it is, means that money can also disappear in an instant. Screens not only give us fast access to banks and businesses; they can also obscure who is behind text messages and emails. Passwords can be hacked, identities stolen, messages from friends, colleagues and institutions faked.

According to UK Finance's Annual Fraud Report, more than £1.2bn was stolen in fraud in the UK in 2022, and 80% of this theft started online. Banks prevented a further £1.2bn of attempted fraud[5].

There is a widespread assumption – which was shared by the young people in our focus groups – that it's primarily older people who are being scammed and defrauded. But the Local Government Association reports that those aged 16-34 account for over half the scams experienced in the UK, with one in five of those aged 16 to 34 having been scammed in recent years, compared with just four per cent of those aged 55+[6].

UK Finance found that almost half of 18-24 year-olds had been targeted in an impersonation scam, and that half had gone on to provide personal information or send money. Despite this, 91% were confident in their ability to spot a scam, with only just over a quarter (27%) saying they would take steps to check, compared to the 60% of over-55s who say they always check[7].

3 Gross gambling yield (GGY) of the online (remote) betting, bingo and casino industry in Great Britain from April 2010 to March 2022
4 UK Finance Annual Fraud Report 2023
5 UK Finance Annual Fraud Report 2023, p7
6 Younger people more susceptible to being scammed
7 GEN Z more likely to be tricked by criminals and fall for impersonation scams

Children

One obstacle to the recognition of child financial harms may be that we tend not to think of children as being economic units. But is this assumption correct?

Children are almost universally online. According to Ofcom, 97% of households with children have access to the internet and most children aged three to 17 in the UK go online. They are exposed to the online global digital economy on a daily basis.

For many children and young people, much of their time online is spent gaming. Our own research for The Rip-Off Games found that 97% of children aged 13-18 played video games and more than half of them thought games were only fun when you spent money. The introduction of downloadable content (DLC) has opened up possibilities for almost continuous monetisation.

We have the conditions, then, for a perfect storm of financial risks to children. Almost all children and young people are online. The global digital economy is becoming ever more frictionless. And there are few protections for children. Yet almost no attention has been paid to the issue.

Cifas, which runs the National Fraud Database, reports that under-21s now account for one in five cases of suspected money muling, where someone receives illicit money in their bank account and transfers it out again at the behest of organised crime. Law enforcement has pointed to the links between child sexual exploitation and abuse (CSEA) and blackmail and financial coercion. The Internet Watch Foundation recently reported a 257% 'shocking' year-on-year increase in 'sextortion' – where someone is encouraged to share an explicit image online and blackmailed with threats to share the content more widely. Perpetrators demand money via online payment apps, with some demands as low as £20 and some considerably higher[9].

A much clearer understanding of the scale of children's financial activities online is needed. With our Child Financial Harms consortium partners, Parent Zone is seeking to establish whether children are financially active online and, if so, whether they also face risks and harms.

One of our central hypotheses was that so little attention has been paid to children's financial activities online partly because of a widespread cultural assumption that children have little or no financial agency.

8 CEOP – What is Online Child Sexual Abuse and Exploitation?
9 IWF – Hotline reports 'shocking' rise in the sextortion of boys

We wanted to begin by exploring whether this was the case. We were also interested in testing what seemed to be a widespread assumption, that parents have oversight of children's online spending. If true, this would be oddly out of line with fears about children's online safety in other ways, where parents complain that they can't possibly know what their children are doing.

We set out to establish some baseline data to tell us whether children are spending, making and losing money online, conducting research online with a nationally representative sample of 13-18 year-olds with Ipsos, and interviews in three secondary schools. Here we outline our findings.

About the research

Ipsos interviewed a sample of 1,020 children aged 13-18 in the UK from 8 to 19 September 2023 using online data collection methodology. Data has been weighted to the known offline population proportions for age within gender, as well as government office region. The ONS estimates that there are circa 4.8 million young people in the UK aged between 13 and 18.

Separately to the research carried out by Ipsos, Parent Zone conducted focus groups with 30 children in three schools from 9 to 12 September 2023.

Executive summary

- Contrary to what is commonly assumed, children are not economically inactive. They are free to spend, make, and lose money online. The survey shows that whether by themselves, or assisted by a parent or another child under 16, almost all young people aged 13-18 (96%) buy things online, either physical goods or digital purchases.

- Of those who could estimate how much they spend online in a typical week, more than three in five young people (61%) in the survey have used their own debit cards to buy things online.

- The interviews carried out in three schools suggested children see getting a debit card as a rite of passage, a bit like getting a phone.

- Being able to manage your own money is thought to be a sign of maturity and responsibility. In some cases, this may militate against reporting when something goes wrong.

- The online study carried out by Ipsos suggested that almost half (48%) of young people spend money to play online games. They are paying to play, reinforcing the findings of our report *The Rip-Off Games* on the increasing commodification of children's play online.

- Over one third (39%) of the young people who spend money online said they spend more than £10 a week. 13% say they spend more than £25 a week.

- Of those young people who were able to give a monetary value to their typical weekly online spending, 64% said the money they spend online comes from their parents (as well as from other sources, potentially).

- 42% of 13-18 year-olds claimed to have also made money online, for example through selling physical goods, their skills or time, video game items, or through streaming.

- Children have internalised the 'buyer beware' principle, often blaming themselves when they are scammed or defrauded.

- 5% of children and young people surveyed had made money through gambling video game items (eg, with video game items, such as skins for characters or weapons). This kind of activity is not legal for children in the UK.

- When looking at those young people who gave a monetary value to their typical online weekly spending, more than two in five (42%) of young people who have bought something online have accidentally bought or subscribed to something accidentally, been scammed, or lost money in another way (see 'Young People are losing money online' section).

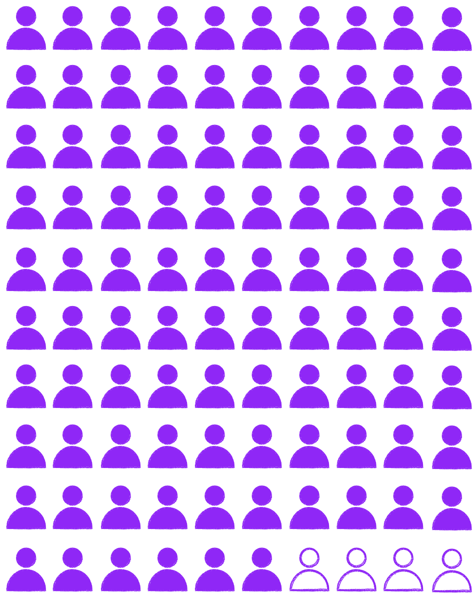
- Three-quarters of 13-18 year-olds (76%) think young people their age end up doing something that breaks the law (such as accessing over-18 sites, streaming pirated movies, or stealing from parents to pay for things) when they go online. These high levels of alleged lawbreaking need unpicking but it is clearly the case that lawbreaking online is normalised.

Findings

Almost all children have bought something online.

96% of young people surveyed said they had bought something online by themselves, with an adult or with another child under 16, whether real-world or virtual goods.

Some 68% of young people said that they had bought something online by themselves. If we were to extrapolate this to the population, this would equate to approximately 3.1-3.5 million young people aged 13-18.



Spending online is a normal part of life for children and young people.

In the focus groups, the most commonly mentioned purchases were food, clothes and shoes, beauty products, and gaming and in-game purchases. Popular sites for buying physical items included UberEats, Just Eat, Deliveroo, DePop, Vinted, Temu, Boohoo, Shein, Pretty Little Thing, JD Sports and TikTok Shop.

How much?

We went on to ask how much they spent online in a typical week (by themselves, with an adult, or with another child under 16). Bands were provided, ranging from “Less than £1” up to “£30 or more a week”.

Almost two in five (38%) said they spent £10 or more online a week.

12% spent less than £1 a week

11% spent £1-£4.99 a week

20% spent £5-£9.99 a week

12% spent £10-14.99 a week

13% spent £15-24.99 a week

13% spent £25+ a week

The mean average weekly spend online was calculated at circa £11.50. If we were to extrapolate this to the population, this would equate to a total weekly online spend of approximately £53m-£59m by 13-18 year-olds.

Below is a breakdown of claimed spending in a typical week, by age (amongst those who bought or paid something online).

Question: In a typical week, how much money, do you personally spend online where you make the purchase(s)? This can either be by yourself, or with help from someone else.

Base: All people aged 13-18 in the UK who purchase something for themselves – n=976

Breakdown by age

	13-15	16-18
Less than £1 a week	17%	8%
£1-£4.99 a week	16%	7%
£5-£9.99 a week	22%	19%
£10-£14.99 a week	12%	13%
£15-£24.99 a week	12%	16%
£25+ a week	11%	15%
Don't know	9%	18%
Prefer not to say	1%	3%

Almost half (48%) of 13-18 year-olds said they personally pay money to play online games, or someone else pays money so they can play. Boys were more likely to do this (63% of boys compared to 34% of girls).

Of those who are spending £20 or more a week online, 71% pay to play online video games (either themselves or someone else pays for them).

Four out of five (80%) young people aged 13-18 who play online video games either strongly agreed (43%) or tended to agree (37%) that many online video games try to get you to spend as much money as possible in the game.

And over half (58%) either strongly agreed or tended to agree that some video games are only fun when you pay money to get extra features (such as season or battle passes, skins, lootboxes, etc).

The young people in the focus groups recognised that they were being induced to spend money when gaming, although that awareness didn't necessarily stop them from doing it. Some looked back ruefully on in-game spending.

'I spent so much money on Genshin Impact, like £100 to get a character, I had to cut it out.'

'I spent a lot of money on skins when I was younger but now I only use the free stuff. All my friends had them and they were cool.'

Nearly half of those surveyed (48%) either tended to agree or strongly agreed that you need to spend money to get the most out of the internet. Those who spent more were more likely to think so: 73% of those who spent £20-£20.99 a week, and 64% of those who spent more than £30 a week either agreed strongly or tended to agree that you needed to spend money to make the most of being online.

Most of this spending is unsupervised

As previously noted, of those who had bought something online, 68% had done so by themselves. Within this group, the numbers were higher among 16-18 year-olds (88%), as you might expect, with 50% of 13-15 year-olds having bought something by themselves.

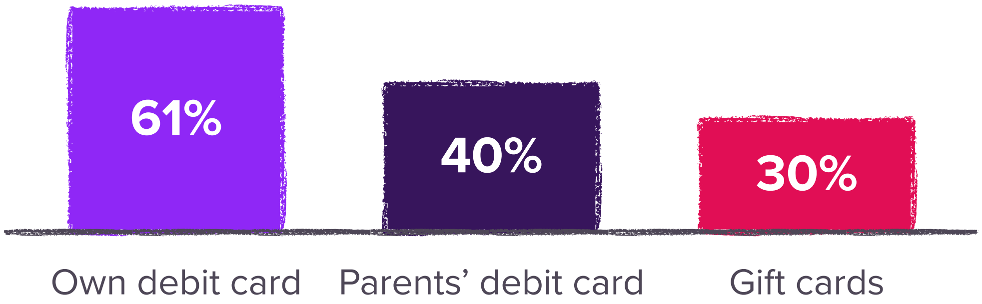
Of those spending £20 or more a week online, 88% said that they have bought something by themselves.

In the focus groups, there was a strong sense of pride in being viewed by adults as sufficiently mature to manage their own money.

'It's about whether your parents trust you and that depends on how mature you are.'

'My parents consider me old enough to make decisions.'

How are young people spending?



Getting your own debit card was seen as a rite of passage.

> *'It's like getting a phone. You have to be old enough and mature enough to be trusted. If you're immature your parents won't trust you.'*

74% of 16-18 year-olds who were able to give a monetary value to their typical weekly online spending said they mainly used their own debit card to spend money online. For 13-15 year-olds the figure was 34%.

For some, it was a part of their identity to be trusted to manage money.

> *'I do a part-time job and if you're responsible enough to earn your own money, you should be responsible enough to spend it.'*

Most of the young people we talked to said their parents mainly monitored their spending retrospectively.

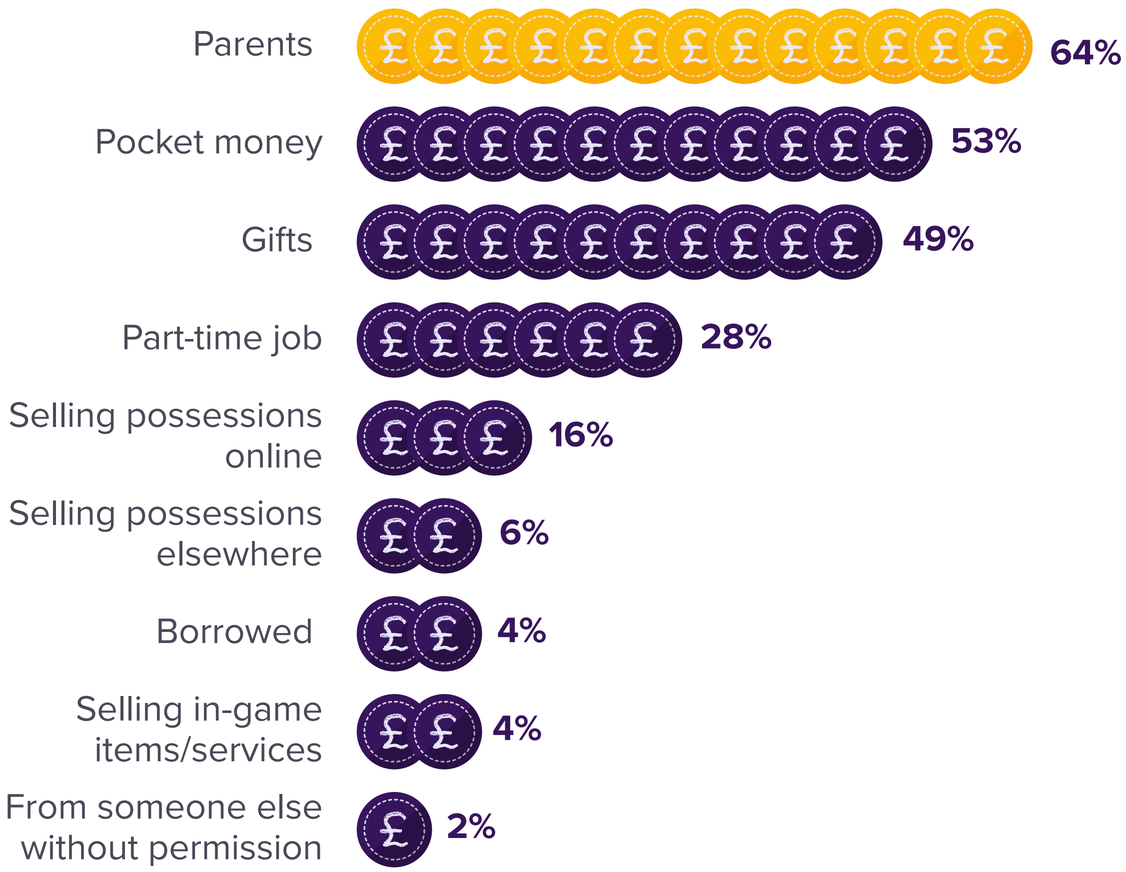
> *'My parents put a certain amount on my card each month, if I haven't spent it all they wait till it's gone to give me more. They always get to view what I spend it on and sometimes use the app to look. I tell them when I've spent something. If it's something small like £3 at Tesco they wouldn't mind but if it was like £15 they'd want to know what it was.'*

They were also aware that convenience made spending easier.

'You don't have to copy details of your account, it's just face recognition and a click. It's quick and easy.'

'I had two Deliveroos yesterday. It's just so easy.'

Where is this money coming from?



A majority of young people spending money online said that this comes from parents or their pocket money.

Of those who could give a monetary value to their typical online weekly spending, 64% said money is from parents or guardians, 53% said it is from pocket money, 49% said it is from gifts and 28% said it was from part-time jobs.

'I get a monthly allowance, including money for food. I also work, so most of my money comes from tutoring and babysitting so they don't mind what I spend it on as it's mine.'

Young people are also making money online

Around four in 10 (43%) 13-18 year-olds have made money online, increasing to five in 10 (54%) for 16-18 year-olds. It is noted that 5% have made money gambling video game items, such as skins.

Question: In which of the following ways, if any, have you ever made money online?

Base: All young people aged 13-18 in the UK – n=1,020

Selling physical goods	23%
Selling skills of time (eg, web design or other online activity for someone else, including pay-to-play)	9%
Selling video game items	7%
Streaming content such as gaming or chats on platforms like Twitch	6%
Creating content on YouTube or similar platforms	5%
Through social media	5%
Gambling with video game items (eg, with avatar skins)	5%
Through cryptocurrency	4%
Sponsorship by brands	3%
Other	10%

In the focus groups, the young people mentioned selling second-hand clothes, 'making money on TikTok through views and likes', and selling hair straighteners, lip gloss and digital art.

Young people are losing money online

Of those who could give a monetary value to their typical online weekly spend, 42% have either been scammed, accidentally subscribed to something, bought something unintentionally, lost money through skin gambling/in an online game, or lost money in another way.

14% believe they have been scammed in some way, either through not receiving goods or services they paid for or having points stolen from a game or an account.

Question: For which, if any, of the following reasons have you ever lost any money when purchasing something for yourself online?

Base: All people aged 13-18 in the UK who spend money on purchases online = n=830

Subscribed to something unintentionally/by accident	22%
Bought something unintentionally/by accident	15%
A scam – item or service not received	12%
Skin gambling or in online video games – where you have not won on the outcome of professional matches or other online video games	6%
A scam – where points have been stolen from a game or gaming account	4%
Another way	4%

In the focus groups, the young people were alert to scams. Some had direct personal experience; almost all of them knew someone who had been scammed.

> *'My little brother wanted to buy something on PlayStation and he used my grandad's credit card and it was a scam and he lost £240.'*

> *'My brother bought a skin for £20 and never got it. He lost the money. He wasn't allowed to go on his Xbox for a while after that.'*

> *'I have a friend who spent £500 on an NFT – pointless. He's upset, thought it was a good deal but he doesn't even look at it.'*

> *'I bought some brushes for digital art. It was sort of a scam: they weren't as good as I thought they'd be, it was a waste of money.'*

> *'Recently I've been getting lots of emails saying I've got a prize at Tescos. My cousin got the same thing and they asked for credit card details. He doesn't even shop there.'*

> *'My friend got a call saying someone scammed her and this was to fix it, but they were the scam.'*

> *'My parents have had texts that were from someone pretending to be me.'*

> *'At one time the government gave children trust funds. My friend invested half of his in crypto. He thought he'd make lots of money for his gap year. He lost it all.'*

> *'I buy when there are discount codes giving you free delivery, even if it would be cheaper to buy the item with delivery. You can feel a little bit tricked by it.'*

Breaking the law

Three quarters (76%) of 13-18 year-olds think young people their age end up doing something that breaks the law (eg, accessing over-18 websites, streaming pirated movies, stealing from parents to pay for things online, etc), either some of the time (54%) or every time (22%) they go online. 72% of 13-15 year-olds think their peers sometimes or always break the law online; 80% of 16-18 year-olds think so.

These figures are very high and merit further investigation. They may reflect the percentage of under-18s viewing violent pornography (79%, according to the Children's Commissioner[10]) or streaming illegally, which is also commonplace. And, as this survey and our previous work shows, some children are gambling (eg, making money through gambling video game items).

10 'A lot of it is actually just abuse'- Young people and pornography

In the focus groups, we heard several examples of money being stolen, often from family, for online spending.

> *'When I was younger I used to play Roblox and I really wanted this hair, so I went on my uncle's iPad and bought 80 Robux – they only found out three years later. I think I told them.'*

Whatever the nature of the activities, it seems that law-breaking is being normalised online. Children are learning, en masse, not to obey the law. At the very least, this finding suggests that existing laws are often inadequate to cope with digital activity.

Reporting and recovering

Children differed in their approach to telling their parents if they had lost money or been scammed online.

> *'I wouldn't feel comfortable telling because I'd probably get embarrassed.'*

> *'There are many situations when you see an ad and you want it, but when it comes it's not what it said and is a waste of money. You're never going to be able to get the money back, so what's the point? What's a parent going to do if there's no trace?'*

> *'My dad works in that industry so I wouldn't have a problem telling him but I have a friend and her parents have no clue. She couldn't tell them because they'd blame her. It's dependent on context, on who you have around you.'*

A number of the young people in the focus groups said that not only would they not tell a parent, they wouldn't report the scam either.

> *'I bought a blue jumper and it didn't look like it did in the photos: it was the size for a four-year-old and sparkly. I didn't bother to report it. It's a whole process, far too much bureaucracy.'*

> *‘I wouldn’t bother especially if it wasn’t a significant amount of money, but I think out of principle if I told my parents they would try and get their money back. To be scammed is a stab in your pride.’*

> *‘The context would influence my decision. If I bought something and there was no product, I would go to my parents. But if it was not as advertised – if I had actually got a product in exchange for my money – I would feel it was my fault.’*

Perhaps in line with their desire to be seen as competent to manage their own money, the young people we spoke to had by and large internalised the ‘buyer beware’ principle. When goods were not as advertised, they felt they should have been smarter and anticipated a scam.

Conclusion

At the extreme, child financial harms are connected to other forms of child exploitation, including sexual abuse, the illegal drugs trade and other 'wicked' problems that arise where complex individual and social vulnerabilities intersect, including with criminality.

Perhaps as a result of the connection to other harms, financial harms to children tend to have been seen as a sub-category of more readily understandable and shocking events, a kind of by-product rather than central.

Day-to-day harms such as fraud and scams haven't been taken seriously either. That may be because of a widespread assumption that children are not financial agents in their own right. It may also be thought that the sums involved are small, rendering the losses unimportant.

Our research shows that neither of those assumptions is correct. A majority (68%) of 13-18 year-olds have financial agency online. Almost all are spending money online (by themselves or with someone assisting them). Some are also making money; some are losing it. 14% believe they have been scammed in some way, either through not receiving goods or services they paid for or having points stolen from a game or an account. Young people are very well acquainted with various forms of scams and fraud, often through personal experience or the experiences of their friends.

Young people are spending an estimated £53-£59 million a week online. A large proportion of this money is coming from parents: you might say children's online spending is 'breaking the bank of Mum and Dad'.

Many parents are, of course, monitoring their children's spending. But, out of necessity, much of that monitoring is retrospective. Children want and expect to manage their own money. To have your own debit card and manage your spending is a sign of maturity and a source of pride.

This can potentially create difficulty when things go wrong. The children we spoke to had differing views about whether they would seek help from their parents. But whether they would or not, they described feeling embarrassed or blaming themselves when they felt ripped-off online.

The legislation governing online fraud is patchy, confusing, and probably unfit for the digital age. The Fraud Act dates back to 2006, and the Gambling Act to 2005, both before the advent of Web 2.0. New laws are now in the offing: the Online Safety Act will give Ofcom powers to ask platforms to demonstrate how they are mitigating the risks of fraudulent content; the Digital Markets, Competition and Consumers Bill will give the Digital Markets Unit the power to protect consumers from fake reviews, scams and rip-offs such as subscription traps.

It remains to be seen how these new laws will work, or work together. But if Ofcom and the Digital Markets Unit are to be effective, a much clearer understanding is needed of how, where and why children are experiencing financial harm.

More research is needed into how the online environment creates the conditions for financial harms, as well as into whether all children are equally vulnerable and what factors may lead to vulnerability. As a first step, child financial harms demand recognition as a category in their own right, rather than being a subset, an afterthought or a relatively unimportant aspect of risk and harm online.

Children, and their parents, need to be able to feel that their concerns are legitimate. When things go wrong, they should feel empowered to report, rather than think that it's their fault and there's no point.

Platforms also need to recognise the existence of child financial harms so they can design out the features that facilitate exploitation first and, second, so that they can respond appropriately to complaints.

Finally, policymakers need to recognise the existence of child financial harms to ensure that legislation correctly identifies where criminality and harm are flourishing, and to ensure that, as far as possible, children are protected.