



Skin gambling: teenage Britain's secret habit

A Parent Zone report
28 June 2018



Introduction

This research began because one young person told us he thought skin gambling was a problem. It turned out he was not alone. Two in five young people who know about it agree. We share their concern.

Our investigation has uncovered a complicated ecosystem of games, sites and services that knowingly and unknowingly facilitate gambling with virtual currencies. With the help of young gamers, we have learnt that in-game purchases and rewards can easily be used to gamble, and that young people have enterprising ways to fund gambling activity.



It is a world that people who aren't in it know little about, but gamers – including young gamers – navigate with ease.

At *Parent Zone*, we encourage families to enjoy technology. We promote the concept of digital resilience because resilient young people are more likely to benefit from time online and less likely to experience harm. However, to help young people flourish online, we have to take steps to ensure that the digital world isn't evolving into a space that takes advantage of them.

We can't allow new harms to emerge beyond the oversight of those who have young people's best interests at heart. It's important that they can take risks but that should not include being exploited by services that allow activity we have already decided is illegal for under-18s. Skin gambling is one such activity.

We are calling for a special inquiry to identify ways in which this problem can be tackled. It is a complex challenge that will require payment processors, the gaming industry, the gambling regulator and the wider online gaming community to come together to resolve.

As esports become ever more mainstream and virtual currencies move from niche to mass reach, we must keep up. We cannot allow this burgeoning phenomenon to go unchecked. For once, we need to be ahead of the digital curve.

Vicki Shotbolt, CEO & Founder of Parent Zone

What is Skin Gambling?

A brief history of skins

Skins are virtual items that can be won or purchased within certain video games to decorate and customise weapons. They rarely affect gameplay and are mainly aesthetic but, due to their popularity, a marketplace has developed for the trading of skins.

Skins were popularised in the 2012 video game **Counter Strike: Global Offensive (CS:GO)**, owned by the US-based *Valve Corporation*. *Valve* also developed the *Steam* platform, which lets players buy, sell or trade their personal skin collections for real or virtual currency.

As a result, individual skins have developed unique values, based on market demand. In this process, skins have themselves become a virtual online currency.

The rise of skin gambling

As the popularity of **CS:GO** grew as an esports – a form of competitive gaming played and watched by millions of fans worldwide – interest grew in betting on major esports matches. By 2015, third-party sites, which had been set up to support the trading of skins, began to offer users the chance to bet on live esports matches. In 2016, sites began to offer additional jackpot options for skin betting, including games like roulette and coin tosses. These casino games are high frequency and gamblers can place a new bet as regularly as every 30 seconds.

While you cannot withdraw money from *Steam* or the third-party gambling sites, additional sites emerged, which allowed users to exchange skins for cash – or, in essence, cash in their chips.

These casino-style sites grew in popularity to the point now where one industry expert predicted the total global value of skins gambled in 2018 would reach over **£10 billion**¹.

Unlicensed and unregulated

Valve's Steam Market facilitates these betting sites, because it operates an application programming interface (API), meaning outside developers have access to its programming code. This allows players to log in to their *Steam* accounts from third-party websites and access their skins.

Like *Steam*, few third-party gambling sites use age verification, and do not operate under any gambling licensing or regulatory bodies. This means anyone with a *Steam* account can enter third-party sites and gamble. *Steam*, in response, has issued a cease and desist lawsuit to 21 unaffiliated sites, yet this only had partial success and many new sites continue to emerge.

1. <https://www.linkedin.com/pulse/skin-gambling-crackdown-controversies-likely-shave-billions-grove/>

Loot boxes and mystery chests

Skin gambling can come in other forms, such as ‘loot boxes’ and ‘mystery chests’. In these, players can spend real money to buy hidden items, usually hoping to get a rare or valuable skin. The risk is getting one worth less than the price paid for the box, or a duplicate of what they already own. Often, the odds of success in these boxes are not disclosed, so young people can be drawn into gambling on what they might get, without knowing their true odds of success, or how the results are regulated.

See the report appendix for a full definition of gambling, and skins.

‘I’ve got a friend who tried one of the websites. He has a huge collection of skins for a game... £1,000 worth. He put £1 on it just to try it out and he wanted to do a bit more cos he lost and wanted to get it back. He lost again and wanted to get his £10 back. He ended up winning £750, but he’s really addicted to it. He’s 15.’

Boy, 14

Methodology

Parent Zone set out to understand the scale of skin gambling by UK children, and to find out how they are doing it.

We commissioned an *Ipsos MORI* survey* with **1,001 children aged 13 to 18** to find out what they know about skin gambling. The survey was conducted with parental permission.

We additionally visited six UK secondary schools between 6 March 2018 and 7 June 2018, speaking confidentially to mixed groups of boys and girls, **aged 12 to 16**. We asked them to discuss what they knew about skin gambling, *Steam*, third-party gambling sites and the culture that surrounds them. All names have been omitted to protect identity.

In order to understand the skin gambling process, we conducted an investigation using the identity of a 14-year-old. Using the child’s personal details, including genuine name, address and account information, we attempted to gamble skins in the way described to us by the children we met. The investigation was undertaken with full parental permission and cooperation.

* The research was carried out by Ipsos MORI on behalf of Parent Zone. It surveyed a nationally representative quota sample of 1,001 children in the United Kingdom aged 13-18 using an online survey between 25 May and 4 June 2018. Data have been weighted by age, gender, region to the known offline population profile.

How many UK children are skin gambling?



27% of children aged 13-18 have heard of skin gambling.

10% have gambled skins in some form.

29% think it is a 'very big' or 'fairly big' problem.

It is perhaps no surprise to know that **90%** of 13-18 year-olds in the UK play games online. It is, however, a surprise to know that nearly a third of these children have heard of skin gambling (**30%**) – especially to the many adults who are neither aware of it, nor know how widespread skin gambling has become in little over two years.

When *Parent Zone* ran focus groups at schools across the UK, we found four of the six groups were aware of skin gambling, and those that were had a sophisticated understanding of the process. They all understood that it is gambling, although in a different form to the types you might find in familiar high street bookmakers or popular online gambling platforms. Most agreed that while skins are used as a virtual currency, the potential to win or lose actual money was very real.

Our survey confirmed it is wide-spread, with **10%** of children across the UK aged 13-18 revealing they have gambled skins in some form. This percentage amounts to approximately **448,744** children in the UK aged 13-18².

'[A skin] is basically just money cos... you can buy them with real money and you can sell them for real money, it's just like kind of a... currency.'

Boy, 13

'What people do is they put certain items up for sale and people can buy them for real money, so that means certain skins have a certain value associated with them... The gambling sites uses this monetary value of skins as currency on their websites.'

Boy, 15

'There's websites that gamble skins... You put them on these websites and then there's a chance to get a better skin or a worse skin, and you can lose loads of money on there. That's basically just gambling, they just cover it up... cos you use the skins instead of currency.'

Boy, 13

2. Office for National Statistics Population Overview, February 2016.



Of all those children who have heard of skin gambling...

36% have gambled skins.

While over one in three of those children who have heard of skin gambling have tried it for themselves, our focus group responses to skin gambling were neither overly positive or negative.

This is in contrast to some of the videos you can find on YouTube or Twitch, which feature high-value gambling wins. Videos with titles such as ‘**CRAZY 1% CHANCE \$4,000 WIN!!**’ (1.5m views), ‘**MOE WINS \$84,000! CS:GO SKIN GAMBLING!**’ (349k views) and ‘**CS:GO Gambling - ACCIDENTAL 56,000\$ WIN!**’ (259k views) offer a distorted view of skin gambling that is unlikely to be replicated.

Indeed, few of our focus group participants had enjoyed a particularly rewarding experience while some had lost a high value of skins. One boy, 13, told us how he had traded to earn £2,000-worth of skins, only to lose most of them gambling on third-party websites.

‘I sold my whole skin collection to gamble on the website but didn’t make money... I lost all my skins and left with worse skins.’

Boy, 13

‘You think you can do what they [YouTubers] do, pretty much all of my YouTube time is gaming – watch them and then be like, I can try that.’

Boy, 13

‘I had a friend who skin gambled. He stopped a long time ago. He lost a lot of money.’

Boy, 15

It’s not just a boy thing...

While our research confirmed that boys are clearly the more engaged when it comes to gaming, **1 in 5** of all the children we surveyed that have skin gambled were female. While this cross-segment is too small to make an accurate estimate on a national level, the figure shows that it is not just an issue affecting boys.

How do they pay for it?

Skins can be won in games, such as **CS:GO** or **League of Legends**, obtained via the purchase of an in-game mystery box, traded for in the Steam marketplace, or bought from other users.

Most of the children we surveyed who had skin gambled had used real money to do so, mainly using pocket or gift money from parents and family.

However, as our focus groups revealed, what their parents knew they were doing with the money could vary dramatically.

'[My parents] know about it... As long as it's coming from my account and it's legal, my mum and dad don't particularly mind.'

Boy, 15

'I've got my own bank account so whatever money is in there I don't really ask – I just spend it. There's loads of £2/£3 micro-transactions that I do all the time, that can sum up to a lot, but they don't really know about that. They know that I'm spending it, just they don't know what on.'

Boy, 13

'People playing online games doing this might just think its harmless fun when really they have a problem and cannot see it for themselves.'

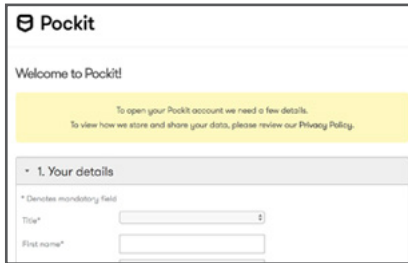
Boy, 14

46% of children across the UK aged 13-17 say they are able to access 18+ websites if they want.

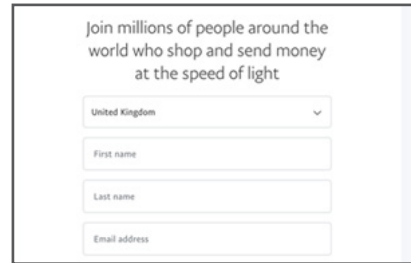
Age verification technology varies between different websites which offer skin gambling services. This might explain why nearly half of the children we surveyed told us that they could bypass age restrictions on over-18s websites. Regardless of what children may have to do to access services designed for over-18s – from accepting a site's user agreement to faking age-verification checks – it is clear children believe they can access sites not intended for their use.

A case study

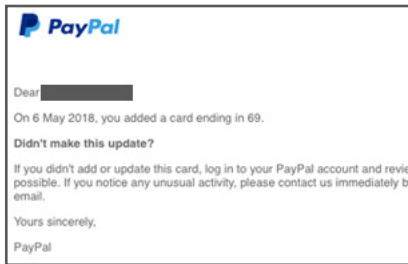
In order to understand how easy – or difficult – skin gambling is, *Parent Zone* attempted the process. Using the genuine name, identity, address and email of a 14-year-old, we completed the following process:



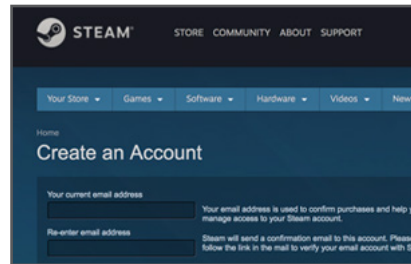
1. Signed up for a *Pockit* current account.



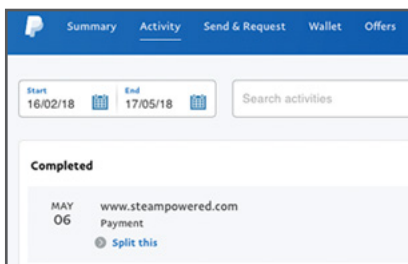
2. Registered for a *PayPal* account, using a newly-created email address. At this stage, we were required to give a date of birth, but no further verification checks were required.



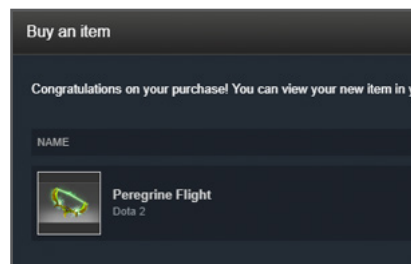
3. Deposited cash from the *Pockit* card into the *PayPal* account.



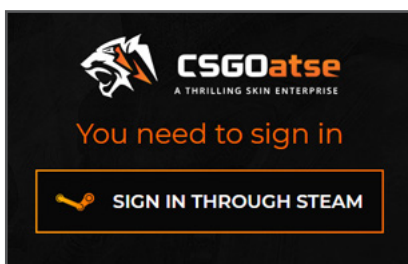
4. Signed up for a *Steam* account, providing details of the *PayPal* account and email address. No age verification required.



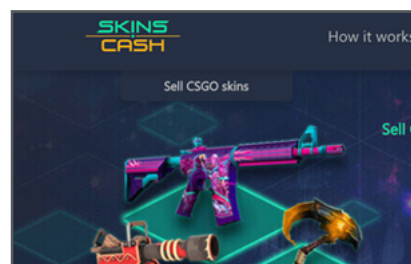
5. Transferred cash from *PayPal* into the *Steam* account.



6. Purchased *DOTA 2*, *PUBG* and *CS:GO* skins from other users through *Steam Market*.



7. Signed into numerous skin gambling sites, using *Steam* account.



8. Any skins won can be exchanged for cash at sites such as **skins.cash**.

Why is skin gambling a problem?

1 Nobody is taking responsibility

None of the platforms involved in the process of skin gambling – from *Steam* to third-party sites and *PayPal* – are necessarily breaking a law under existing legislation. However, collectively they are allowing children to gamble money in online casinos almost unchecked. The fact that it is such a complex ecosystem means that none are responsible, yet all – to varying degrees – facilitating the process.

2 A blurred line between gaming and gambling

While only **11%** of children say they had heard of ‘skin gambling’, when asked about specific forms such as ‘esports betting’, ‘public pots’ and ‘mystery boxes’ this figure rises to **29%**. This tells us that many children do not necessarily realise the difference between what constitutes a game and what constitutes gambling. This is especially true of mystery boxes, which can be bought in games, but also within the *Steam Market*, where their value can be viewed as a virtual currency.

3 Mystery boxes are gambling, not just a game

The idea that a mystery or ‘loot’ box, bought in games or on the *Steam* platform, is an innocent in-game purchase is not always correct. Skins become a virtual currency when they can be traded for cash. If you are paying for a mystery box in the hope of getting a skin with a value higher than the price you paid, with the risk of getting one at a lower value than you paid, this represents gambling. It can be likened to paying £1 to buy an envelope that may contain a £20 note, but is more likely to contain a 20p coin.

4 There are bad influences for under-18s

Social media platforms, such as *YouTube* and *Twitch*, have featured videos and streams glamorising or promoting skin gambling. Seeing videos of popular gaming influencers ‘winning big’ on skin gambling presents a distorted view of the reality, which can lead less critical minds to think that winning is easy. *Twitch* has recently outlawed skin gambling streams on its site, but still videos remain for now for *YouTube*’s 13+ audience.

‘Going down to the casino and getting drunk at 4 o’clock in the morning, that would be my definition of gambling addiction, whereas someone else... they might define it as going on the game all the time and spending this amount of money ... I think that the problem with younger people is that we don’t actually know what it is and if you don’t know what it is, you can’t stop it.’

Boy, 15

Skin Gambling: What needs to happen?

Parents need to be made aware of skins gambling, and they need to know:

- where their children are spending money online, and on what – especially those that are gaming. It is important to note: skin gambling is operated mainly off PC or desktop gaming devices, so if a child uses these to play games online, parents should be especially aware.
- 18+ age ratings are not a guarantee their child won't be able to access sites, especially as 46% of children say they can bypass age verification tools.
- skin gambling is an issue that affects both girls and boys.
- how to spot the warning signs, and what to do if they suspect their child may be doing it.

Children need to understand the difference between gaming and gambling. They must also:

- be educated to understand the risks of gambling in an unregulated environment, especially without the knowledge of an adult.

Policy makers need to find a way to prevent an online ecosystem that allows children to gamble in an unregulated environment. This includes:

- establishing an independent inquiry into new forms of online gambling, such as skins gambling, to identify ways to deal with the issue, as well as considering regulations of the purchase of mystery boxes within games.
- speaking to the independent platforms that are facilitating and promoting skin gambling for children, to explore how they can develop a collective responsibility to protect under-18s from being allowed to gamble.

Appendix

Definition of gambling

For the purposes of this paper, the definitions of gambling have been taken from the *Gambling Act, 2005* which is paraphrased in the Gambling Commission's position paper of March 2017 – *Virtual currencies, eSports and social casino gaming* as defined as 'betting, gaming or participating in a lottery.' [1] (1.2)

More detailed definitions of betting, gaming and lotteries can be found in the glossary of terms.

Definition of skins

Skins are virtual in-game items which can often be traded between players:

'While in-game items vary in form across the diverse range of video game genres and titles, in general they are integrated directly to complement the nature of a particular game. Examples include an in-game currency, points, spells, equipment, and weapons or weapon skins (skins).' [2]

These in-game items are usually cosmetic and have no effect on gameplay, however, this is not always the case and they can give players an advantage within the game.

Gambling Commission position on skin gambling

Skins can often be traded between accounts, depending on the gaming platform, by official and unofficial services. Some skins are part of a 'closed-loop' network and cannot be exchanged for real world item. However, in some cases there are services which allow users to trade skins for money, usually taking a small percentage of the price as a transaction fee.

The gambling commission have previously stated that if services are available to convert skins into money, then these skins act as a virtual currency. In addition, services are often provided to bet these skins on casino style games, esports or pools. These are viewed as gambling:

'In some cases, the inventory of the player's account can be connected to websites where the user can use the 'skins' they have bought or won to bet or stake in casino style games. These types of 'skins' have a monetary value derived from the current market price and can be converted into money. Where 'skins' are traded or are tradeable and can therefore act as a de facto virtual currency and facilities for gambling with those items are being offered, we consider that a licence is required.' [3]

Acquiring skins

Skins can be acquired via a variety of means, including gameplay, in-game purchases, purchasing from other gamers, trading with other gamers and loot boxes.

Loot boxes/ Mystery boxes

'Loot boxes provide players with the opportunity to pay to open a box and acquire an unknown quantity and quality of in-game items for use within the game.' [4]

These systems have different names depending on the game – packs in **Fifa**, Crates in **Counter Strike: Global Offensive (CS:GO)** and keys in **Rocket League** – with each game charging a varying amount for their particular loot-box, but all providing items on purchase. However, these items will often be a duplicate of an item already held by the buyer or an extremely common skin.

Although they are not viewed as gambling in the UK, other countries, such as Belgium and the Netherlands, have declared them Gambling and banned them. [5]

[1] [Virtual currencies, eSports and social casino gaming – position paper](#), Gambling Commission, March 2017 (1.2)

[2] Ibid. (3.2)

[3] [Virtual currencies, eSports and social casino gaming – discussion paper](#), Gambling Commission, August 2016 (3.5-3.6)

[4] [Loot boxes within video games](#), Gambling Commission website, Posted on 24 November 2017

[5] [Video game loot boxes declared illegal under Belgium gambling laws](#), BBC News, 26 April 2018

TECHNICAL NOTE

The research was carried out by Ipsos MORI on behalf of Parent Zone. It surveyed a nationally representative quota sample of 1,001 children in the United Kingdom aged 13-18 using online survey between 25th of May and the 4th of June 2018. Data have been weighted by age, gender, region to the known offline population profile of this audience.

Question 8, contained the following preamble:

'Some websites have content not suitable for children under the age 18 years. These websites typically stop access for those under 18 by confirming your age.'

Extrapolation

The sampling tolerances that apply to the percentage results in this survey are given in the table below. This table shows the possible variation that might be anticipated because a sample, rather than the entire population of GB adults 13-18 was interviewed. As indicated below, sampling tolerances vary with the size of the sample and the size of the percentage result. For example, on a question where 50% of adults in a sample of c.1,000 respond with a particular answer, the chances are 95 in 100 that this result would not vary by more than 3 percentage points, plus or minus, from a complete coverage of the entire population of this audience using the same procedures (i.e., between 47% and 53%).

Strictly speaking the tolerances shown below apply only to random samples, but in practice good quality quota sampling has been found to be as accurate.

Description of Children sample	Number of respondents in Ipsos MORI survey	Survey result %	Estimate based on the survey results - range	UK Children aged 13-18 who have played or gambled using skin-gambling games [range]	Mid-point estimate
Total UK children 13-18	1,001				
UK Children aged 13-18 who have ever played or gambled using skin-gambling games.	95	10%	+/- 2% = 8% - 12%	358,995 – 538,493	448,744*



Digital Families 2018, a CEOP and Parent Zone conference, will be discussing skin gambling and the future of young people online.

10 October 2018, 10am-4pm, London

To find out more or book tickets, visit

<https://parentzone.org.uk/digital-families-keeping-children-safe-online>



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