

February 20, 2019

Honorable Ed Markey
United States Senate
255 Dirksen Senate Office Building
Washington, DC 20510

Honorable Richard Blumenthal
United States Senate
706 Hart Senate Office Building
Washington, DC 20510

Dear Senator Markey and Senator Blumenthal,

Thank you for your letter of January 29, 2019, regarding reports around our practices related to in-app purchases made on our platform by minors. Every day people use our platform to access third-party apps. We work hard to ensure that they can do so in the most safe and secure way possible, free from fraud or other malfeasance. I appreciate the opportunity to share our efforts in this regard, specifically our refund policies and the work we do to ensure that our platform is a safe and trusted environment for everyone, including parents and teens..

“Chargeback fraud” is an industry term that broadly refers to a consumer making a purchase, usually online, with their own credit card, and then reporting that charge to their financial institution for a reversal of the charge, or a “chargeback.” “Friendly fraud” is a common industry term that refers to a specific subset of chargeback fraud in which a friend or relative of a cardholder obtains and uses the cardholder's payment information (either by obtaining the card or by obtaining access to a device or account that has stored the card information) without permission, resulting in the cardholder requesting a chargeback from their financial institution.

To be clear, we have never encouraged anyone to engage in friendly fraud. Not only does having to request chargebacks from their bank create a poor experience for our users, which reflects badly on us, but credit card companies penalize us for such charges. In other words, our incentive is to *prevent* chargeback requests; our chargeback rate is below 1%. When unauthorized charges made using a user's payment instrument are brought to the attention of Facebook, we seek to fully refund a user as quickly as possible. Doing so prevents a user from having to seek redress from their credit card company and builds trust with honest users who may fall victim to fraud. When most people see unexpected charges on their credit card bill, such as those occurring from unauthorized use of their credit card information in a case of friendly fraud, they'll dispute them directly with their credit card company, which will process a chargeback. Credit card companies penalize vendors who have higher chargeback rates, and Facebook wants to avoid this outcome.

We take complaints from people who play games by third party developers on our platform seriously, and we offer people the option to dispute purchases and seek refunds via the Facebook Payments Support Center. While we very often process a refund in response, we approach each request on a case-by-case basis. While we regularly process refunds for purchases made by minors, identifying legitimate claims of friendly fraud can be challenging, because there are no clear signals that the actor is not the owner of the account or is not authorized to use the credit card.

In addition to providing the opportunity to seek a refund through Facebook, we also have put in place certain mechanisms to prevent this kind of fraud at the time of purchase. Facebook has always prompted users to confirm each purchase they make on Facebook, including purchases made after payment details (such as credit card) have been stored. The purchase flow for in-app purchases has always required users to confirm the purchase, to review the purchase price in dollars, and to review the payment instrument being used (such as a credit card). Facebook also has always sent email receipts whenever a user makes a purchase. We take all these steps in an effort to draw the user's attention to the charge being made.

Facebook requires everyone to be at least 13 years old before they can create an account; for 13- to 17- year olds, we have additional precautions and safeguards in place when it comes to payments. Facebook has long worked with parents and experts to offer tools for families navigating Facebook and the internet, and we routinely examine our own practices with an eye toward improving the experience for families who use our services. As part of that work—and as part of the court-approved settlement of the 2012 class action lawsuit—we have improved the process for requesting a refund for a purchase made by a minor. Our refund request form now includes a selection box indicating whether the purchase was made by a minor, and those reports are routed to a dedicated queue for review. Our reviewers undergo special training relating to refund requests relating to purchases by minors.

(1) When did Facebook personnel become aware that children were likely unknowingly spending their parents' money while playing games on your platform? When did you, as CEO, become aware of this issue?

Like all online service providers that process credit card payments, we have always been aware of the risk of unauthorized payments, which is why we've built in protections. Before the 2012 lawsuit, Facebook's payment process made clear that in-app purchases involve real money. For example, the payment screen from the time of the lawsuit clearly stated the total amount of the purchase in U.S. dollars ("Total: \$0.99 USD") and referred to the payment instrument being charged ("Paying with Visa (***) #####"). The initial payment screens required adding credit card information and indicated the payment information would be stored. Users could easily remove stored payment instruments in their payment settings. Facebook also sent email receipts whenever a user made a purchase.

Facebook also had resources in place to allow parents to seek refunds. At the time the lawsuit was filed, our terms stated, “If you are under the age of 18, you may make payments only with the involvement of a parent or guardian. You should review these Payments Terms with a parent or guardian to make sure that you both understand them.” If a parent chose to link a credit card to a Facebook account, a minor might access that account without parental permission and then authorize payments on the linked credit card. When a payment was authorized, Facebook sent receipts to the account holder after each purchase, so an account holder parent would be notified if a payment had made without permission. In cases where a minor added a parent's credit card to their own account without permission, the parent could still have seen charges in their credit card account history and statements, or through the card issuer's online notifications, if enabled. In either scenario, parents could then seek a refund for purchases made by a minor, which Facebook frequently provides.

(2) Who is currently responsible for addressing issues pertaining to children’s use of Facebook services?

The safety and well-being of 13- to 17-year-olds on our platform is very important to us, which is why all teams at Facebook are charged with looking carefully at our platform and services and ensuring we have the right precautions and processes in place. The work of addressing issues pertaining to the use of Facebook by young people is a company-wide commitment that cuts across our Policy, Product, and Legal teams. We work with parents and families, experts in child development, online safety, and children’s health and media, and lawmakers to ensure that we are building better products for families. These safeguards include everything from extra in-app education regarding friending and posting publicly to age-gating and warnings to prevent exposure to certain content.

For example, the team that works on the development of our product policies consults with experts to ensure that our our policies properly account for the presence of 13- to 17-year-olds on our platforms and this work has resulted in the age-gating of certain content. Our team that works on privacy policies, in consultation with experts, has helped develop unique education moments regarding friending and posting publicly for our 13- to 17-year-old users. They also have worked with our product teams to ensure we remove certain information, like school, from search for minors. Our product teams that work on the safety and integrity team are no exception to this company wide effort. In addition to the safeguards they have built for everyone on our platform they also have built classifiers to help identify potentially inappropriate interactions between adults and minors so we can take action. In addition, our safety policy team works across all internal teams at Facebook to ensure we are taking a 360 degree approach to the safety of minors on our platform and building the best policies, tools, programs and resources to ensure the safety of minors on our platform.

Our efforts include providing special resources to young people aged 13 to 17 to help ensure that they enjoy a safe and secure experience. They also include giving parents the information, resources, and tools they need to set parameters for their children's use of online technologies and help them develop healthy and safe online habits. For example, we have a Parent Portal (<https://www.facebook.com/safety/parents>) and a Youth Portal (<https://www.facebook.com/safety/youth>), which are both focused on fostering conversations around online safety, security, and well-being. Those portals give parents and young people access to the information and resources they need to make informed decisions about their use of online technologies. We remain dedicated to examining our own practices and the resources we make available for the safety and security of people who use our services.

(3) What policy changes has Facebook implemented to put an end to the practice of children making in-app purchases without parental knowledge? If such changes were made, when were they implemented and what steps has Facebook taken to ensure they will be effective?

In 2016, when the court approved the terms of the class action settlement, Facebook agreed to new processes for minors and their parents requesting refunds. We enhanced our disclosures and streamlined the refund process for purchases by minors. We changed our refund form to include a selection box indicating whether the purchaser was a minor. We created a separate work flow and dedicated resources for reviewing these refund requests. We also agreed to specially train the people responsible for reviewing these refund requests. As a result, we frequently refund purchases made by minors without parental knowledge, whether on the parent's account or on the child's account.

(4) Will Facebook commit to promptly refunding its users in full for money that was spent by children as a result of Facebook's past policies?

For fraudulent charges made using a user's payment instrument brought to the attention of Facebook, we will seek to fully refund a user as quickly as possible. Doing so prevents a user having to resort to a chargeback, and builds trust with honest users who may fall victim to fraud. Facebook regularly refunds purchases under our enhanced processes for minors and their parents. Any parent who disputes an in-game purchase made by a minor can request a refund via the Facebook Payments Support Center.

(5) Has the Federal Trade Commission (FTC) contacted you about this issue? If so, is Facebook fully cooperating with any and all related FTC investigations?

We are not currently engaged with the FTC on this issue, but Facebook is in regular contact with the FTC.

(6) Are you aware of any other Facebook policies or programs that have led to children spending money on your platform without parental knowledge?

We are not aware of any such policies or programs. We are committed to working with parents and families, as well as experts in child development, online safety and children's health and media, to ensure we are building the best products for families; and would welcome and appreciate any such programs being brought to our immediate attention. In addition, we rely on various signals, including user feedback, to identify trends in people's experiences that suggest our payment products could be improved.

(7) In order to mitigate additional risk of manipulating children on Facebook, will you commit to requiring all youth directed content and services on your platform to be free of charge and without advertisements?

Facebook requires everyone to be at least 13 years old before they can create an account. While people can't opt out of seeing ads—our services can be offered to be users for free because they are ad-supported—they do have many options to control how their data can and can't be used to show them ads. In addition, they can provide feedback on individual ads to influence what types of ads they will see.

Facebook's Parent's Portal, referenced above, provides resources for parents on Facebook, including resources for understanding how ads work and how to teach their children about the controls we offer in relation to ads.

Thank you again for giving us the opportunity to respond to your questions.

Sincerely,



Kevin Martin
Vice President, U.S. Public Policy