

Swedish Consumer Watchdog Warns Of Loot Box Gambling

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Sweden's consumer authority says it has identified a link between loot boxes and problem gambling, warning that some video games may even be in breach of gambling law.

In a statement on Friday, the Ministry of Finance said it had submitted evidence from the country's Consumer Agency to the government's ongoing review of its gambling legislation.

In the statement, the ombudsman claimed to have discovered that "loot boxes can lead to problem gambling", but the details of this connection are unknown while the report remains unavailable to the public.

It also warned that loot boxes may also fall under gambling legislation in Sweden, as they have done to dramatic effect in Belgium and the Netherlands. Specifically, they could be considered lotteries in cases where they dole out items that can be exchanged for money.

Although practically none of the video game companies which offer loot boxes provide facilities to directly cash out the items their players receive, it is possible to buy and sell "skins" through third-party marketplaces or exchange them with other users for store credit.

FIFA Ultimate Team (FUT) cards, in particular, have a thriving secondary market and there is also a roaring trade in a variety of games in selling whole accounts — which sees players who have collected a large number of high value items hand over their usernames and passwords for a fee.

The Ministry of Finance said the government's Gambling Act Inquiry will "consider the recommendations" of the Consumer Agency, but there is a growing belief among those in Sweden that the government will take some form of action against loot boxes.

"We need to ensure that consumers have adequate protection. The fact that computer and video games are of great interest to children and young people makes the issue extra important," said social security minister Ardalan Shekarabi, the MP responsible for gambling in Sweden.

However, when it comes to legal realities of the law, a Stockholm-based international lawyer pointed to several tricky technicalities that may stall any attempt to classify loot boxes as a kind of lottery.

"The problem here is how the state will define the [Consumer Agency's] statement that 'if the winnings in a loot box can be converted into money, it is a lottery that is covered by the Gaming Act'," explained Ola Wiklund, founder of Wiklund Law.

The ability to sell items for store credit on a platform such as Steam, execute in-game trades matched with an off-site monetary exchange or sell whole accounts all present a number of semantic challenges to the concept of "converted into money".

"There are also strong arguments to support the view that the existing law doesn't apply to loot boxes," said Wiklund.

"Firstly, the games are not provided for a geographically determined group of consumers. Secondly, the lottery definition doesn't really apply to loot boxes without an amendment, since the money conversion is of a different nature compared to a traditional lottery."

"In short, to regard loot boxes as falling under the law will amount to a regulatory overreach that is unlikely to stand in a court of law," he said.

However, Wiklund noted that, in the end, political reality may win out.

Shekarabi has used increasingly [tough rhetoric](#) in the past months, in particular as he winds up to deliver what are expected to be heavy restrictions on advertising.

Despite the very real legal challenges presented by the Consumer Agency's position, "these subtleties will most likely escape the politicians", said Wiklund.

"Since it concerns children, the consumer protection-argument is likely to gain support in broad political quarters. The [video games] industry need to strike back and both invoke legal and industry policy arguments fiercely," he said.

European video game industry trade group the ISFE said it and its Swedish member welcomed the Consumer Agency report, citing "the guidance it provides help to help us protect vulnerable consumers".

A spokesperson for the group played down the potential links between loot boxes and problem gambling.

"The ... report talks about a correlation between online gambling and lootbox purchases in some demographics, not a causal connection. It may be one causing the other or one or more outside factors influencing both," they said.

The gambling inquiry that this report will feed into has been underway since June 2018, six months before Sweden's new online gambling legislation came into effect, and is due to report to the government next year.

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