

FTC proposes ban on Facebook monetizing children's data

Article

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The news: The Federal Trade Commission (FTC) has proposed to bar Meta from monetizing children's data after it allegedly violated a privacy order from 2020. The agency wants to

keep the social giant from monetizing data of users under 18, meaning that information from minors could **only be used for security reasons** and **not for profit** once they turn 18.

- The FTC claims that an independent assessor found several shortcomings in Facebook's privacy program that pose significant risks to the public.
- The company had agreed to independent examinations of its privacy program under a 2020 settlement, in which it paid a \$5 billion penalty in an FTC probe of the **Cambridge Analytica data scandal**.
- The FTC is proposing to strengthen the terms of the 2020 agreement and impose additional restrictions across all of Meta's services, including **Facebook, Instagram, WhatsApp, Quest VR headsets, and Horizon Worlds**.

What's more: The FTC is accusing Meta of violating the Children's Online Privacy Protection Rule (COPPA) by misleading parents about parental controls on its Messenger Kids app.

- That rule requires websites to obtain parental consent before collecting personal information from children under 13.
- The FTC alleges that while Meta marketed that the app would only allow communication with approved contacts, children were able to communicate with additional contacts in group chats or group video calls.

Why it matters: The proposed changes could have massive financial implications.

- Meta's ad business is built on user data—and advertising is where most of its revenues come from.
- Our forecast estimates that this year, 11.6% of Instagram users in the US will be under 18. For WhatsApp and Facebook, those figures are 9.5% and 4.8%, respectively.

Worth noting: In February removed the ability for advertisers to target minors on Facebook and Instagram by gender and other demographics; targeting options were already limited for audiences that included individuals under 18 in most countries, under 20 in Thailand, and under 21 in Indonesia.

- Translation: targeting minors is already limited, which is important context to keep in mind when considering the FTC proposal.

Analyst insight: "The FTC's order would have a substantial impact on Meta's ability to innovate and launch new products," said principal analyst [Debra Aho Williamson](#). "It would prohibit Meta from launching new or modified products unless it gets written confirmation from an assessor that it is in compliance with the order. If this portion of the proposed changes takes effect, the FTC will effectively be putting an enormous speed bump on Meta's new-product roadmap."

Our take: It would be premature to assume the FTC's proposal is binding. Far from it. But its action does follow a growing trend among lawmakers in at least two dozen states, including [Utah](#), to introduce bills that would limit young people's access to certain websites such as social platforms.

- Regulators are also ramping up their efforts to impose fines on online services that expose children to risks through the use or misuse of data.
- Should it become clear that Meta did violate the 2020 privacy order, it's not unreasonable to assume that the company, at the very least, has to make some concessions about how it markets to children.

US Teens' Favorite Social Media Platform, Spring 2021-Spring 2023

% of respondents

	Spring 2021	Fall 2021	Spring 2022	Fall 2022	Spring 2023
TikTok	30%	30%	33%	38%	37%
Snapchat	31%	35%	31%	30%	27%
Instagram	24%	22%	22%	20%	23%
Discord	5%	5%	5%	4%	3%
Facebook	2%	2%	3%	2%	3%
Twitter	3%	2%	2%	2%	2%

Note: teens with an average age of 16.2; excludes "other" responses
Source: Piper Sandler, "Taking Stock With Teens," April 4, 2023

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