

Public statement

# Petfre (Gibraltar) Limited trading as Betfred.com Public statement

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## Anti-Money Laundering:

- [Licence condition 12.1.1](#) (/licensees-and-businesses/lccp/condition/12-1-1-anti-money-laundering-prevention-of-money-laundering-and-terrorist)
- [Ordinary code provision 2.1.2](#) (/licensees-and-businesses/lccp/condition/2-1-2-anti-money-laundering-other-than-casino)

October 2019 Operators are expected to consider the issues here and review their own practices to identify and implement improvements in respect of the management of customers.

## Introduction

Licensed gambling operators have a legal duty to ensure that their gambling facilities are being provided in compliance with the [Gambling Act 2005 \(opens in new tab\)](http://www.legislation.gov.uk/ukpga/2005/19/contents) (http://www.legislation.gov.uk/ukpga/2005/19/contents) (the Act), the conditions of their licence and in accordance with the licensing objectives, namely to:

- prevent gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime
- ensure that gambling is conducted in a fair and open way
- protect children and other vulnerable people from being harmed or exploited by gambling.

## Petfre (Gibraltar) Limited Executive summary

This case concerns Petfre (Gibraltar) Limited which holds a Combined Remote Operating Licence.

The Investigation into Petfre was the result of information passed to the Commission regarding a customer who had been convicted of a £2million fraud and had been spending stolen money through several gambling operators including Petfre. This customer opened multiple gambling accounts in a very short period of time, making large deposits and experiencing significant losses. In respect of Petfre, over a 12-day period in November 2017 he deposited £210,000 and lost £140,000.

The management of this customer in relation to anti-money laundering (AML) raised significant concerns regarding the effectiveness of the policies and procedures that Petfre had in place and its management of risks to the licensing objectives. Since this incident Petfre has made improvements to its AML procedures to prevent a recurrence of the failings.

Petfre has acknowledged and accepted that there were shortcomings in the application of its AML controls and its policies and procedures, and has accepted that it failed to act in accordance with the Licence Conditions and Codes of Practice (LCCP), and the Commissions advice to operators (excluding casino operators) titled Duties and Responsibilities under the Proceeds of Crime Act 2002.

In line with our Statement of principles for licensing and regulation, Petfre will pay £182,000 as a payment in lieu of a financial penalty. It has acknowledged the failings and put forward a regulatory settlement on terms acceptable to the Commission. Petfre has made changes to its policies, procedures and controls as a result of the identified issues.

## **Petfre (Gibraltar) Limited Findings**

### **Failure to prevent money laundering**

#### **(a) Licence condition – 12.1.1 relates to the Prevention of Money Laundering and Terrorist Financing**

12.1.1.3 states Licensees must ensure such policies, procedures and controls are implemented effectively, kept under review, revised appropriately to ensure they remain effective, and take into account any applicable learning or guidelines published by the Gambling Commission

#### **(b) Ordinary code provision 2.1.2 relates to Anti-money laundering – other than a casino**

As part of their procedures for compliance with the requirements in respect of the prevention and detection of money laundering in the [Proceeds of Crime Act 2002 \(opens in new tab\)](https://www.legislation.gov.uk/ukpga/2002/29/contents) (https://www.legislation.gov.uk/ukpga/2002/29/contents), and the [Terrorism Act 2000 \(opens in new tab\)](https://www.legislation.gov.uk/ukpga/2000/11/contents) (https://www.legislation.gov.uk/ukpga/2000/11/contents), licensees should take into account the Commission's advice on the Proceeds of Crime Act 2002. Duties and responsibilities under the Proceeds of Crime Act 2002 – Advice for operators (excluding casino operators).

The operator's policies led it to request Source Of Funds (SOF) on two occasions in November 2017 but the customer failed to provide this. Its failures to obtain SOF allowed the customer to deposit £210,000, and lose £140,000, of stolen money in a 12-day period.

The fact the customer was able to deposit and lose such significant amounts in such a short period of time clearly indicated failings in the effectiveness of Petfre's policies and procedures. The Commission therefore found that the operator breached licence condition 12.1.1 and failed to act in accordance with code provision 2.1.2.

## **Petfre (Gibraltar) Limited Regulatory settlement**

The regulatory settlement package consists of:

- Petfre divesting itself of the gross gambling yield of £140,000 it received as a result of the gambling of the customer. This money is to be returned to the victim whose money was stolen.
- A payment in lieu of a financial penalty of £182,000 which we will direct to work which accelerates the delivery of the [National Strategy to Reduce Gambling Harms](#) (/about-us/reducing-gambling-harms).
- Agreement to the publication of a statement of facts in this case.
- Payment of £15,168.42 towards the Commission's Investigative costs.

## **Conclusion**

Our investigation found, and Petfre accept, that there were weaknesses in its systems relating to how it managed this customer for anti-money laundering.

In determining the appropriate outcome, the Commission considered that:

- The operator was open and transparent in its dealings with the Commission
- The operator was able to make timely disclosure of material facts
- The operator was able to demonstrate it has insight into the failings and has taken steps to prevent them recurring
- The breach arose not from the absence of AML policies but of a particular shortcoming in control measures for which remedial action has been undertaken
- There was an absence of any repeated breaches of a similar nature and the isolated nature of the breach
- There were interactions and enquiries made in order to attempt to substantiate SOF
- The operator was prepared to agree to the publication of a public statement by the Commission setting out the failings in order to deter future non-compliance

by others and/or share learning that may be beneficial to the wider industry or other stakeholders including the public

- The operator was prepared to divest itself of any gross gambling yield which accrued as a result of the failings
- The operator was prepared to contribute to the direct costs to the Commission of investigating the matter in respect of which the regulatory settlement is sought.

## **Petfre (Gibraltar) Limited Good practice**

We consider that this case provides valuable learning for remote (online) and non-remote gambling operators. They should consider the following questions:

- Do you conduct appropriate assessments of the risks of money laundering and terrorist financing for your business?
- Do you have effective measures for CDD, the ongoing monitoring of customers, and enhanced customer due diligence? Are these sufficiently risk focused, including the risk profiling of customers for these purposes and are they triggered at an appropriate stage of the relationship with the customer?
- Do you have policies and procedures in place which makes specific provision for using all relevant sources of information?
- Are your AML policies and procedures effective?
- Are you alert to the risks various customers might bring?
- Are you conducting appropriate customer interactions? Can you adequately evidence these customer interactions?

### NEWS

## **Petfre to pay £322,000 for money laundering failures**

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Read the news story (</news/article/petfre-to-pay-gbp322-000-for-money-laundering-failures>)