

GAMBLING COMMISSION

Paddy Power Betfair public statement

Regulatory settlement

- Customer Interaction: policies and procedures for customer interaction – breach of SR Code 3.4.1
- Anti-money laundering: failure to act in accordance with the Commission’s guidance on anti-money laundering - ordinary code provision 2.1.1

Executive summary

This case concerns Paddy Power Betfair (PPB) which holds several operating licences authorising it to provide facilities for betting other than pool betting, and to act as a betting intermediary (betting exchange).

The Gambling Commission has found, and PPB accept, that it breached social responsibility code provision 3.4.1(1) which relates to customer interaction, when five customers were able to gamble extensively despite indicators of problem gambling.

We also found, and PPB accepts, that it failed to act in accordance with our guidance on anti-money laundering, [The Prevention of Money Laundering and Combating the Financing of Terrorism - Guidance for remote and non-remote casinos](#).

This statement reiterates the Commission’s view that any operator who offers customers the opportunity to bet on an exchange is liable in respect of both anti-money laundering (AML) and social responsibility provisions for all money through the exchange.

In line with our [Statement of principles for licensing and regulation](#), PPB will pay a regulatory settlement of £2.2m, including a £1.7m payment in lieu of a financial penalty and divestment of £0.5m of monies received. A breakdown of the regulatory settlement is set out below.

Findings

Our investigation uncovered failings in PPB’s social responsibility and anti-money laundering controls which affected five customers across its online betting exchange, betting online and betting retail services.

Betting exchange

Any operator who offers customers the opportunity to bet on an exchange is liable in respect of both anti-money laundering (AML) and social responsibility provisions for all money through the exchange.

During 2016 two customers were allowed to gamble significant sums of stolen money on PPB's betting exchange Betfair. One of the customers stole a significant amount from his employer, a charity. As part of this settlement the money will be returned to the charity. Failings included not identifying and interacting with customers showing signs of problem gambling on numerous occasions and a lack of robust AML checks for both customers.

Retail and online

During 2016, AML and social responsibility failings were identified for three retail and online customers including weaknesses in source of wealth and social responsibility checks.

Response by licensee

PPB acknowledge that certain policies in force at the relevant time were ineffective. It had already evolved those policies, and that process remains ongoing.

PPB recognises there have been considerable learnings from these cases and has invested in improving its AML and responsible gambling processes. PPB is also committed to working with the industry to raise standards, particularly in relation to safer gambling.

Good practice

We consider that this case provides valuable learning for operators. They should consider the following questions:

- Do you have policies and procedures in place to identify customers who may be experiencing or at risk of developing problems with their gambling?
- Do you have systems in place to identify potential problem gamblers? Do these include appropriate trigger points for when the usual pattern of gambling becomes unusual (these should not be just financial)? How do you protect new customers (where a pattern of play cannot yet be established)?
- Are your staff sufficiently trained to spot problem gamblers and know how to report concerns? Are there clear procedures once a concern has been raised?
- Do you know your customer (KYC)? Are you gaining a holistic picture of the customer's source of funds, particularly in relation to VIP customers?
- Are you critically assessing assurances you receive as to source of funds?
- Have you ensured you have clear, up-to-date, and fit for purpose AML policies and procedures available to all who require guidance?
- Have you ensured your policies and procedures have been informed by our guidance on AML? Have you taken into account the Commission's Money Laundering and terrorist financing risk assessment?

For further guidance on good practice read our [Enforcement report](#).

Regulatory settlement

The penalty package consists of:

- £498,508 divestment of the monies received

- £1,717,121 payment in lieu of a financial penalty, which we would otherwise impose for breaches of a licence condition in accordance with our Statement of principles for determining financial penalties. We will direct this money to work which accelerates delivery of the National Responsible Gambling Strategy
- Payment of £50,045 towards our investigative costs.

Conclusion

Our investigation found, and PPB accepts, that there were weaknesses in its responsible gambling and AML policies and procedures, which meant that there were breaches of the licence condition.

In determining the appropriate outcome, we took the following factors into account:

- The value of the stolen money which flowed through the Exchange, that is the sums deposited and not just the commission (profit) earned. Stolen funds were paid into the Exchange and as a result, members of the public subsequently received misappropriated funds. This impacted on the licensing objective to keep crime out of gambling.
- The licensee has now demonstrated insight into its failings.
- Co-operation with us in an open and transparent manner, and full and timely disclosure of material facts during the process.