

## Gala Interactive (Gibraltar) Limited

Breach of Social Responsibility code provisions:

- 3.4.1.1(e)(i) and (ii) Customer interaction

6 November 2017

The issues identified in this statement are likely to form the basis for future compliance assessments of gambling operators

## 1. Executive summary

This case concerns Gala Interactive (Gibraltar) Limited (Gala Interactive) which holds an operating licence for remote casino, bingo and remote general betting standard – real and virtual events.

The Gambling Commission has found that Gala Interactive breached two social responsibility codes relating to customer interaction with two consumers (Customer A and Customer B) who were displaying problem gambling behaviour.

Customer A lost £837,545 through playing Gala Bingo games over a 14 month period, Customer B lost £432,765 through playing Gala Bingo games over an 11 month period. Both used stolen money to fund their gambling.

In line with our [Statement of principles for licensing and regulation](#), we have decided that Gala Interactive will pay £1m in lieu of a financial penalty to fund research relating to the causes of problem gambling; and £1,270,310 reimbursement to two businesses whose money was used to gamble as part of a regulatory settlement.

Gala Interactive acknowledged its failings and has volunteered to pay an additional £200,000 to fund the research which will be of benefit to the wider industry.

A breakdown of the regulatory settlement is set out in Section 4.

## 2. Findings

### Failure to identify problem gambling behaviour

Our investigation found that Gala Interactive failed to adequately interact with two VIP customers who were displaying problem gambling behaviour in 2014 and 2015.

This represented a breach of code provision 3.4.1 (Customer Interaction):

*1. Licensees must put into effect policies and procedures for customer interaction where they have concerns that a customer's behaviour may indicate problem gambling. The policies must include:*

*e. specific provision for making use of all relevant sources of information to ensure effective decision making and to guide and deliver effective customer interaction including in particular:*

*i. provision to identify at risk customers who may not be displaying obvious signs of, or overt behaviour associated with, problem gambling; this should be by reference to indicators such as time or money spent.*

*ii. specific provision in relation to customer designated by licensee as 'high value', 'VIP' or equivalent.*

## **Failure to identify at-risk customers (SR code provision 3.4 1(e)(i))**

### ***Customer A***

Between November 2014 and the end of 2015 Customer A lost £837,545 through the Gala Bingo website. During this period the customer placed 842,020 bets on online games, and on one day alone deposited approximately £49,000.

A review of the supplied interactions between Gala Interactive and Customer A showed that the majority of these interactions were designed to facilitate the customer's gambling.

Customer A had an established relationship with Gala Interactive's VIP team. Despite frequent contact with Customer A opportunities were missed by Gala Interactive to ensure all information was used to make effective decisions when considering Customer A as an at-risk customer. Interactions were more focused on a commercial relationship than engaging with the customer in order to ensure an adequate assessment had taken place from a problem gambling perspective.

Customer A was later jailed for four years for theft.

### ***Customer B***

Between November 2014 and September 2015 Customer B lost £432,765 through the Gala Bingo website. During this period the customer placed 554,954 bets on online games, and on one day alone deposited approximately £20,000.

The significant deposits and losses made by Customer B should have been assessed by Gala Interactive from a social responsibility perspective. Interactions should have taken place to establish whether the customer was a problem gambler but we have seen no evidence that such considerations took place.

Customer B was jailed for four-and-a-half years for acquiring, using or possessing criminal property.

## **Failure to make specific provision in relation to customer designated by licensee as 'high value', 'VIP' or equivalent (SR code provision 3.4 1(e)(ii))**

On 8 May 2015 we updated the [Licence conditions and codes of practice \(LCCP\)](#) to ensure that operators make specific provision for social responsibility requirements when interacting with VIP customers.

We made this change because we had seen regulatory failings where operators have been reluctant to interact with commercially valuable customers on social responsibility grounds, or for the prevention of crime (for fear of losing their custom to competitors).

Despite this change, Gala Interactive's written policies did not make specific provision for social responsibility requirements when interacting with VIP customers.

Its amended written policies - which took account of these requirements - were subsequently provided to us on 31 May 2017.

We were concerned by the amount of time taken by Gala Interactive to amend its policy and consider it unacceptable that it took two years to comply with SR code provision 3.4 1(e)(ii).

We also consider that if a policy had been in place containing appropriate specific provision in relation to customers designated by Gala Interactive as 'high value', 'VIP' or equivalent, Customer A and Customer B may well have been managed more effectively.

## Previous assurances

The failings identified in relation to Customer A and Customer B are similar to those in a [Gala Coral regulatory settlement](#) in 2016 which related to events in 2014 and 2015 where the group failed to:

- appropriately assess customer risk
- obtain adequate information with regard to customers' source of funds or wealth
- utilise open source internet resources effectively
- effectively use account information to identify potential problem gamblers.

Despite assurances provided during this case that similar customers of concern would be identified sooner and more effectively handled, the circumstances of the present case suggest that this did not happen. Gala Interactive failed to engage effectively with Customer A and Customer B at a time when they were assuring us that lessons had been learnt from the 2016 case. Whilst we accept that improvements were in the course of being implemented, we are not satisfied that they were implemented quickly enough.

## 3. Good practice

Social responsibility requirements are in place to keep crime out of gambling and protect the vulnerable.

In order to avoid making the same mistakes as Gala Interactive, operators should consider the following questions:

- Are you checking on the wellbeing of customers whose behaviour may indicate problem gambling?
- Do you have policies and procedures in place that will help you do this?
- Are you using all information (including customer spend levels and emotional state) to spot problem gambling behaviour?
- Do your policies and procedures make specific provision for social responsibility requirements when interacting with VIP customers?
- Are you keeping accurate records of these interactions?

If operators are still unsure about our requirements in relation to social responsibility and customer interaction, please refer to [Licence conditions and codes of practice: section 3.4 social responsibility code and ordinary code](#).

## 4. Regulatory settlement

The penalty package consists of:

- a) £1m payment in lieu of a financial penalty to fund research into problem gambling, including a contribution to Commission's costs.
- b) Payment of £837,545 to the employers of Customer A who stole the money for gambling.
- c) Payment of £432,765 to a business who had funds stolen from them by the partner of Customer B.
- d) A commitment from Gala Interactive to ensure that improvements to social responsibility procedures are implemented promptly to minimise the risk of repetition of the failings identified during this investigation. This will be monitored as part of our planned compliance activity with this operator.

Gala Interactive has also volunteered to pay an additional £200,000 to put to good use in the context of research relating to the causes of problem gambling and how this manifests itself in customer behaviour.

## 5. Conclusion

Our investigation found, and Gala Interactive accept, that they failed to put into effect written policies and procedures for customer interaction to deal with situations where they have concerns that a VIP customer's behaviour may indicate problem gambling.

Gala Interactive did not effectively interact with customers who were displaying problem gambling behaviour and did not have written policies in place that could have mitigated harm caused by the actions of two 'VIP' customers. It also failed to ensure that proper records were kept of responsible gambling interactions.

An aggravating factor in this case was that Gala Interactive failed to engage effectively with Customer A and Customer B at a time when we were being assured that lessons had been learnt from a previous case.

We acknowledge that Gala Interactive has cooperated during the course of this investigation and has provided us with a significant amount of information relating to improvements introduced to its policies and procedures.

We consider that this case provides valuable learning for both online and retail operators.

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