



National Strategic Assessment 2020

Contents

Chief Executive's foreword	03
Executive summary	05
The Person gambling	07
The Place where gambling is occurring	26
The Gambling product	36
The Provider of facilities for gambling	46
Measuring the effectiveness of gambling regulation	57
Covid-19 and its impact on gambling consumers	59
Annex 1: Making gambling safer – a timeline of action	64



Chief Executive's foreword

The Gambling Commission was set up under the Gambling Act 2005. We license gambling operators and key personnel. We regulate gambling, by setting the rules of our licensees and ensuring they comply with them, as well as preventing illegal gambling. We advise the Secretary of State about gambling and we provide guidance to local authorities, as premises-based gambling is subject to dual licensing. We also regulate the National Lottery under the National Lottery etc. Act 1993.

Our work is always guided by a determination to make gambling safer and the licensing objectives are always at the forefront of our minds. The objectives are to:

- ▶ Protect children and other vulnerable persons from being harmed or exploited by gambling
- ▶ 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

I am pleased to introduce the Gambling Commission's first National Strategic Assessment. It sets out our latest assessment of the issues we face and the risks that gambling poses to consumers and the public. Identifying issues and risks must be a dynamic process, as technology and consumer behaviour constantly change. Our overall assessment is built on four pillars linked to:

- ▶ the **Person** gambling (Chapter one)
- ▶ the **Place** gambling occurs (Chapter two)
- ▶ the **Products** available to customers (Chapter three)
- ▶ the **Provider** of facilities for gambling (Chapter four)

This assessment also takes account of the unprecedented impact of the Covid-19 pandemic, as it has implications for all four pillars.

For each of these four pillars, we have collated the data, statistics and evidence obtained from our compliance and enforcement work. We have also drawn from the advice of our Advisory Board for Safer Gambling (ABSG), our Digital Advisory Panel (DAP), and the Interim Experts by Experience Group, which consists of those with direct experience of gambling harm. We have engaged industry representatives and colleagues in the third sector and taken account of the findings of recent Parliamentary reports into gambling and its regulation.



Chief Executive's message (continued)

Drawing on all these sources, we have developed this comprehensive National Strategic Assessment. This assessment is the foundation for prioritising action over the coming months and years. The assessment should be read alongside our actions and those of partners in progressing the [*National Strategy to Reduce Gambling Harms*](#). We look forward to working with the government on the forthcoming review of the Gambling Act, but we want to make it clear that we will not be waiting for the outcome of that review to address the issues that we have identified. We are responding quickly, using the full range of our powers, whenever we see an opportunity to make gambling fairer and safer.

Neil McArthur

Chief Executive – Gambling Commission



Executive summary

EXECUTIVE SUMMARY

This report outlines the Commission’s assessment of the key issues faced in making gambling fairer, safer and crime free. We have used our insight, research and casework to assess the risks and challenges in gambling through four different lenses – the Person, the Place, the Products and the Provider. We will continue to develop our assessment to help inform stakeholders.

This assessment also sets out our priority actions to enable us to address these issues. We have also included in this document an overview of progress that has been made since April 2019, the start of the last business year.

Evidence tells us that gambling participation is not increasing, but ways of gambling are changing. At an overall level, participation rates have remained stable in recent years. At the same time problem gambling rates are not increasing, the data indicates that the rate of problem gambling has been statistically stable since 2012. Nevertheless, it is important that we continue to develop a robust understanding of how different groups within society, particularly those who are more vulnerable, are experiencing gambling-related harm. The [National Strategy to Reduce Gambling Harms](#) sets out how a public health approach will help identify and reduce these harms.

Risks and issues set out across the four chapters of this assessment include ineffective ‘know your customer’ approaches including affordability checks by operators; the need

for early identification and action to at-risk behaviours; the availability of online gambling; advertising; safer online and platform games and the characteristics of high risk products. Other issues highlighted include underage gambling; ownership and governance of gambling providers; and gaps in the evidence and understanding of gambling-related harms.

Good regulation is informed by good evidence. We continually seek to improve the evidence base; to have access to better data, to move away from just counting problem gamblers to understand more about specific gambling-related harms. We also highlight further research outputs on why people chose to gamble and the benefits they derive from it.

We want industry to do more to understand their customers and end the distinction between regulatory and commercial considerations – that means engaging on big topics like developing credible affordability solutions, making products safer by design and building dynamic player-centric safeguards. We must see the industry doing more to proactively identify and address the

Executive summary (continued)

risks within their businesses. An approach to raising standards for consumers which is heavily dependent on the Commission using its formal regulatory powers will continue to damage the industry's reputation, restrict activities and result in escalating penalties.

As a regulator we will do more to demonstrate the impact of our regulation and where we are making progress in changing the behaviours of operators. As such, we will be preparing key metrics to address this.

This assessment has been prepared amid the unprecedented disruption caused by the Covid-19 pandemic. The impacts of the pandemic now and moving forward are still being assessed and will shape the gambling industry and its regulation in the years to come.

EXECUTIVE SUMMARY

The Person gambling

Key issues and risks

- ▶ **Ineffective 'know your customer' approaches including affordability checks:** Licensees do not know enough about their customers including how much a customer can afford to gamble. Customers can be reluctant to share personal information.
- ▶ **Early identification and effective responses to at-risk behaviours:** Adverse consumer outcomes can be avoided or mitigated with early identification of at-risk behaviours or vulnerability displayed by customers.
- ▶ **More engaged gamblers who participate in multiple products across different providers:** Efforts to identify and provide preventative controls for more engaged gamblers is consistent with a risk-based approach to harm minimisation.
- ▶ **Underage gambling:** Age restrictions on gambling products protect children and young people. Controls to enforce them must be robust and effective.
- ▶ **Gaps in the evidence and understanding of gambling-related harms:** Building and maintaining a first-rate evidence base is essential to inform effective regulation and legislation.

What do we know?

Gambling Participation

Gambling is a popular activity in Great Britain. Our latest annual data shows that **24.7m** adults in Great Britain participated in gambling in the last four weeks.

Gambling participation is not increasing. At an overall level, participation rates have remained stable in recent years. The latest annual data shows **47%** of adults had gambled in the last four weeks, with rates consistently between **45-48%** since 2015¹.

The most popular gambling activities by participation rates are:

- ▶ National Lottery draws (**30%**)
- ▶ Other lotteries (**13%**)
- ▶ Scratchcards (**10%**)

¹ Source – [Gambling participation in 2019 behaviour awareness and attitudes](#)

Throughout this document, when using statistics from our quarterly telephone survey, we have drawn these from the most recent annual report published in February 2020 which covers the year to December 2019, and therefore predates the Covid-19 period. Please see Chapter 6 for more detail on our research during the Covid-19 period.

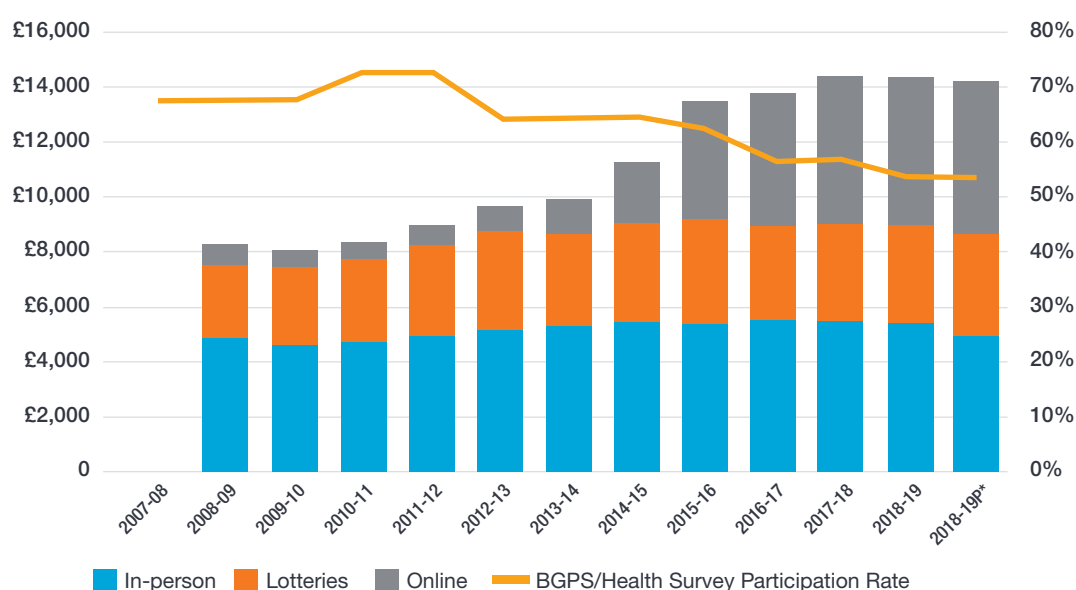
The Person gambling (continued)

When National Lottery products are excluded, our data show that **32% of adults (17.0 million)** participated in other forms of gambling in the last four weeks. This rate has remained relatively stable over the last few years².

Figure 1 which shows a longer-term trend tracking participation in gambling in the last 12 months (rather than the last 4 weeks), shows a decrease in participation alongside the growth in industry gross gambling yield³.

Figure 1

Regulated GGY Market size (£m) vs Gambling Participation



* P – Provisional new data, Oct 18 - Sep 19

The Gambling Commission's data shows that the increase in Gross Gambling Yield (GGY) has been driven by increases in participation and spending on online gambling.

This growth in online GGY was significantly impacted by the shift to point of consumption regulation in November 2014⁴. The 2015/16 figures represent a better benchmark from which to assess changes in consumer behaviour, as that was the first full year the Commission collected the data directly.

Our data shows that online gambling has grown by **30%** since 2015/16, compared with a **8%** decline in premises based gambling.

In overall terms, the combination of lower levels of participation and increases in industry GGY means that average gambling loss per consumer has increased. We explore the risks posed by the increase in customer losses from certain products such as online slots in Chapter 3.

² Source – [Gambling participation in 2019 behaviour awareness and attitudes](#)

³ Industry statistics: GGY is effectively stakes minus prizes

⁴ Gambling (Licensing and Advertising) Act 2014

The Person gambling (continued)

Understanding why people gamble

As a regulator we put consumers at the heart of our work. It is therefore important to understand why people gamble, the choices they make and how it fits into their lives. This adds important context to headline participation data.

Through in-depth qualitative research validated and refined by quantitative research, we have explored the reasons why people gamble and

how gambling fits into their lives. We

understand from this research that different consumers have different drivers for playing, for different products and at different times⁵.

The research identified eight broad groups, summarised in *Figure 2* and examples of how these may apply to a real-life scenario in *Figure 3*:

Figure 2

We have identified eight typologies

Wise decision	Gambling is a matter of skill and I'm confident in my ability to get it right, which is why I enjoy turning events into another opportunity to test my skills	Money to burn	I'm just using up some leftover credit on a bit of a whim – nothing to lose!
Social play	Gambling is something my friends and I love doing together , whether it's having a friendly competition, adding more excitement to an event, or just a bit of fun	'Me' time	I love to play and indulge in a little 'me' time with the added reward of knowing I will probably come out lucky
Along for the ride	Gambling isn't something I'm particularly interested in, it's just a way I get to enjoy being with others , even if it means I will possibly end up out of pocket	Just what I do	Gambling is just something I've been doing for a while, and I enjoy it as a little treat regardless of whether I win or not
Feeling lucky	Sometimes those lucky chances come my way and I can't help but take a gamble, especially if it gives me an opportunity to prove myself	For the money	I don't put much thought into gambling, I just like the idea of winning big even if it is a long shot

Figure 3

A single gambling 'mission' can encompass a range of momentary typologies as the circumstances evolve

"The dogs are my favourite, they are closing all the tracks and it's a real shame because I love going to the dogs. It's all about having a laugh really, it's exciting. If we are there early enough I will plan ahead and look at every race, I get all the form guides. I look at how they've finished last time, weight sex etc., and when we go I'm one of the more influential ones. We'll never bet more than a quid each per race and we'll have had a scream. We go, we each pick up a number 1 to 6 and if there's three picked number 4 and five picked number 6 we'll put it on 6. Sometimes I'll say 'you know what you really want to look at number 4', I always end up saying 'you're wasting your time boys'. We used to walk out of Wimbledon 2-3 grand up. Most races you do £10 (with the money you put together) but the last race you put the winnings on because you don't want to split £200. You put £100 winnings on one dog and £100 winnings on another. If it comes in you can split £1,000 but if it doesn't come in you've only lost £12. The boys go down there and it's a proper good night out. It costs you nothing and you walk away with a lot and a good laugh. If there's 12 races you've never spent more than £12." **Male, 42, London, Frequent Player**



⁵ Source – [Blog: How gambling fits into people's lives](#)

The Person gambling (continued)

Those people participating in the research perceived their own gambling behaviour as 'normal' and saw others as at risk of problems. They perceived minimal conscious cross-over between their passions/interests and their gambling behaviour – it is perceived as a self-indulgence or a treat.

Responsibility for safer gambling needs to be shared between consumers, gambling companies and the Commission as a regulator. We recognise that for most consumers, gambling is 'just for fun'. However vigilance and risk should never be far from consideration. This provides a strong context to understand where the points are that this fun may cross over into harm.

Problem and at-risk gambling

Problem gambling rates are not increasing. Figure 4 sets out problem gambling rates from the best available survey data⁶. The data indicates that the overall rate of problem gambling has been statistically stable since 2012 as defined by either the Problem Gambling Severity Index (PGSI) or Diagnostic and Statistical Manual of Mental Disorders (DSM-IV) screens. Our latest annual telephone survey⁷ suggests **0.6%** of the population are classified as problem gamblers⁸ compared with **0.7%** in 2016.

In any event, according to the combined England, Scotland and Wales 'Gambling behaviour in Great Britain 2016' data there are approximately **340,000** problem gamblers in Great Britain⁹. That is simply unacceptable and, as we have repeatedly made clear, needs to be drastically reduced.

⁶ Information about the [PGSI and DSM-IV screens can be found here](#).

⁷ Source – [Gambling participation in 2019 behaviour awareness and attitudes](#)

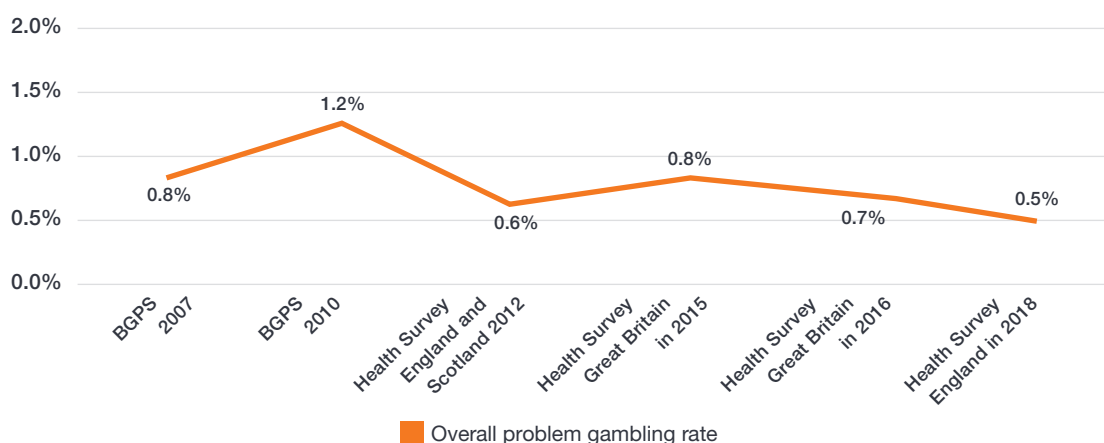
⁸ According to the PGSI mini-screen

⁹ Source – [Gambling behaviour in Great Britain 2016](#) This is the most recent Health Survey data we have for the whole of Great Britain. More recent data has been released from the Health Survey England 2018 and Wales Problem Gambling Survey 2018 but this is not reflective of the whole of Great Britain.

The Person gambling (continued)

Figure 4

Problem gambling rates (according to either the PGSI or DSM-IV screen)



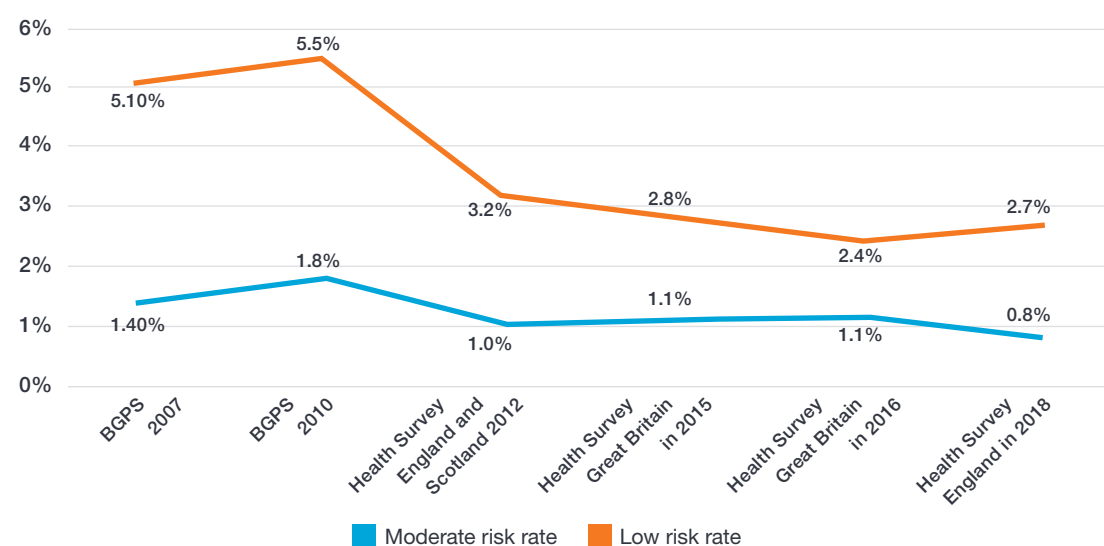
Sources – Various BGPS and Health Surveys¹⁰

Whilst our data suggests that the problem gambling rate is broadly stable, the data on at-risk rates suggests that progress is being

made to reduce the numbers of people at low or moderate risk. *Figure 5* sets out the relevant data¹¹.

Figure 5

Low-risk and Moderate-risk PGSI Rates



Sources – Various BGPS and Health Surveys¹⁰

¹⁰ Please note that a different methodology was used for BGPS, so care should be taken making comparisons between these survey vehicles.

¹¹ The Problem Gambling Severity Index uses the following definitions:

- ▶ Problem gambling – gamble with negative consequences and a possible loss of control. For example, they may often spend over their limit, gamble to win back money and feel stressed about their gambling.
- ▶ Moderate-risk gamblers – experience a moderate level of problems leading to some negative consequences. For example, they may sometimes spend more than they can afford, lose track of time or feel guilty about their gambling.
- ▶ Low-risk gamblers – experience a low level of problems with few or no identified negative consequences. For example, they may very occasionally spend over their limit or feel guilty about their gambling.

The Person gambling (continued)

Whilst the data suggests that the proportion of people at moderate or low risk of harm has reduced, we need to see those numbers decline further.

The majority of people who gamble do so without experiencing harm. But too many people get into difficulty as a result of gambling and can experience very significant harms, including mental health and relationship problems, debts that cannot be repaid, crime and suicide in extreme cases.¹² The fact that problem gambling rates have been broadly stable since 2012, does not alter the fact that more needs to be done to understand how gambling related harm can be reduced with actions implemented to achieve a significant reduction. The [National Strategy to Reduce Gambling Harms](#) provides an agreed framework for action.

Understanding the prevalence and causes of problem gambling is not straightforward; it is constantly changing as individuals who have experienced gambling harms recover and other people become problem gamblers (due to the onset of problem gambling behaviour or relapses). We need to understand why people become problem gamblers, why some people recover and why some who recover relapse. To do this

we need to understand the incidence rate (new cases occurring over time) and the number of people who relapse. Understanding the incidence rates will inform whether more effort needs to be put into prevention measures (for new cases of problem gambling) or treatment (for those who are relapsing).

Longitudinal studies in Australia show that about half of the prevalence rate is made up of new cases, meaning new people are being classified as problem gamblers at each survey point and that means some people have moved out of problematic gambling.¹³ Equivalent UK data would be a valuable addition to the available evidence base.

It is important to note that focussing on percentages across the total population risks overlooking issues within specific groups such as women or BAME communities. **Figure 6** breaks down the data to present the number of at risk or problem gamblers if the world were **100** British adults. More than half of those adults do not gamble, and half a person is a problem gambler. The figure is then broken down into different scenarios to demonstrate some the key demographic risks associated with the person gambling.

12 Measuring gambling-related harms: A framework for action, Wardle and Reith et al (2018)

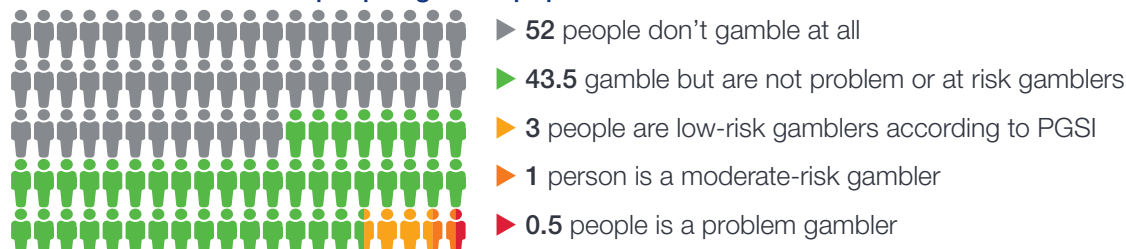
13 Source – [The Victorian Gambling Study: A longitudinal study of gambling and health in Victoria, 2008-2012](#)

The Person gambling (continued)

Figure 6

If Great Britain were 100 people¹⁴

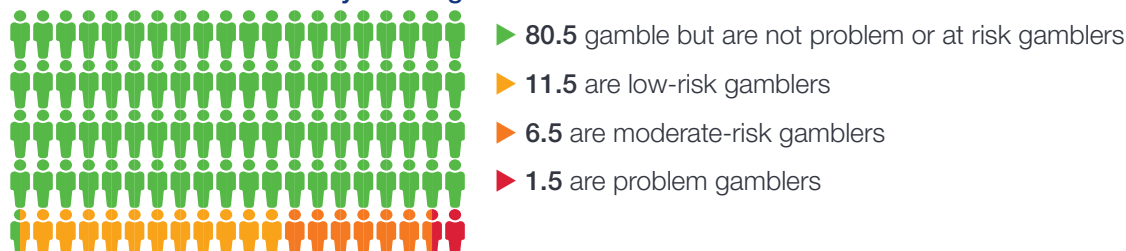
If Great Britain were 100 people: general population



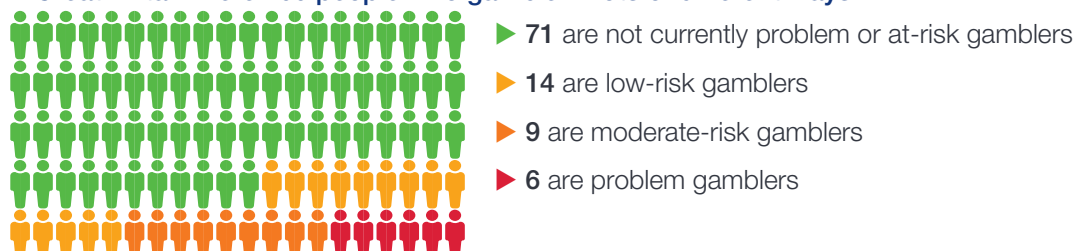
If Great Britain were 100 gambling customers



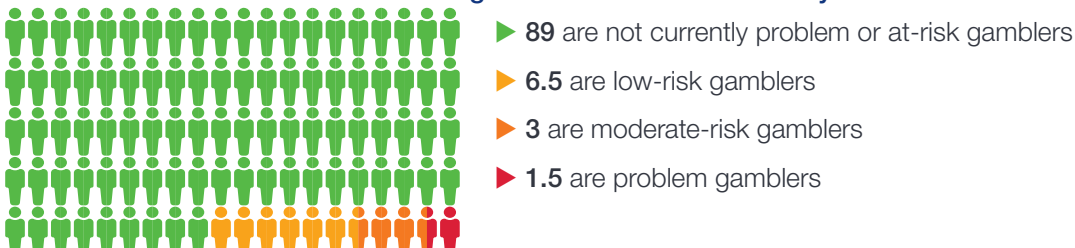
If Great Britain were 16-24 year old gamblers



If Great Britain were 100 people who gamble in lots of different ways¹⁵



If Great Britain were 100 women who gamble in more than one way



¹⁴ Based on past 12 months gamblers from the telephone survey year to December 2019. For the purposes of this illustration, figures have been rounded up or down, to the nearest **0.5**, to ensure that figures sum to **100**.

¹⁵ Participate in **four** or more different gambling activities.

The Person gambling (continued)

What are the issues?

Knowing your customer is crucially important and this does not just mean knowing the person in terms of their personal details, age and account history. It is also about understanding affordability and a customer's personal circumstances, how they react to products, play patterns and behaviours. When we look at the growing range and complexities of products, the changing nature of the market and the current economic environment, a holistic view of the customer is vital. Knowing and identifying customers at risk of or experiencing harm and acting early and quickly could help stop or prevent the harm worsening.

Customer affordability

Individuals spending more than they can afford to lose is one of the harms most associated with gambling. Harm can be significant even at low spending levels as the level of spend at which harms begin to occur depends on the consumer's discretionary income. Licensees are not sufficiently equipped to support and, in some cases, protect consumers to mitigate against the risk of gambling beyond their means.

Figure 7 below provides the levels of discretionary income using YouGov survey data. Discretionary income is how much an individual has left at the end of the month after accounting for taxes, bills, food and accommodation. *Figure 7* is based on population level data.

Figure 7

Percentage of discretionary income by age (January 2020)

	All	18-24	25-34	35-44	45-54	55+
Nothing	9%	10%	7%	9%	11%	9%
Less than £125	25%	31%	20%	25%	26%	25%
£125 to £249	20%	21%	20%	19%	19%	21%
£250 to £499	19%	15%	23%	20%	19%	19%
£500 to £999	16%	15%	18%	16%	15%	15%
£1,000 to £1,999	9%	7%	10%	9%	8%	9%
£2,000+	2%	1%	1%	2%	3%	3%

Source: YouGov Profiles, January 2020

The Person gambling (continued)

Another source of data is provided by the Office for National Statistics (ONS) on disposable household income, combined with information on living costs and spending.

According to the ONS Annual Survey of Hours and Earnings:

- ▶ Median gross weekly earnings for full-time employees is **£585**
- ▶ The occupation group with the highest median weekly earnings for full time employees is still managers, directors and senior officials for which median gross weekly earnings is **£862**
- ▶ Based on this data, **50%** of full-time employees in the UK receive less than **£30,500** gross earning per year and **50%** of the full-time managers, directors and senior officials in the UK receive less than **£45,000** gross earnings.

The following case studies which have all resulted in regulatory action, demonstrate the ineffective control frameworks used to identify and manage the risk. Common issues include interventions not happening in a timely way with customers flagged as needing an interaction, but this not happening until the next day, or later, after the customer had spent life-changing sums of money. Threshold levels for review continue to be set at levels that do not take account of the affordability of a typical consumer. As illustrated by the income data, gambling activity at these levels over the periods of time reviewed would be clearly unaffordable for all but the very wealthiest individuals.



The Person gambling (continued)

Case Studies – Clearly unaffordable gambling

Operator A

This customer's first deposit was **£10k** which triggered the operator to ask the customer to complete a safer gambling self-assessment. Eleven days later, the customer deposited another **£40k** within an hour and a further **£10k** the following day. Open source checks resulted in the operator estimating the customer's annual salary to be **£416,743** per annum. However, Gambling Commission compliance staff discovered the searches showed the highest possible salary for the customer was **£122,683**. The customer's account was reviewed by the operator several months after registration and suspended because it was deemed there was insufficient information to support the level of spend. The customer had lost half their known salary in two weeks, most of this within one hour.

Operator C

A customer lost approximately **£33k** in three months without any source of income being identified or any affordability assessment taking place. This is despite the customer hitting several triggers for potential gambling harm. The customer admitted on a phone call to spending more than usual. Compliance staff examined the information held by the operator and this suggested the customer had an income of only **£8,500** p.a. After approximately ten weeks, the customer admitted during a telephone call to losing too much money and was only then proactively barred by the operator.

Operator B

A customer lost **£34,849** in four months, of which **£33k** was lost in the last nine weeks of play. Although the customer hit various bet frequency triggers and deposit triggers and received pop-ups, no evaluation was carried out to see if these had been effective. Human interaction was not attempted until four months had passed, and the customer did not respond. Shortly after, the customer requested self exclusion for five years, suggesting they were likely to be experiencing gambling related harm. The operator held no information on the customer to support this level of spend.

The Person gambling (continued)

Case Studies – Clearly unaffordable gambling (continued)

Operator D

A customer lost **£54k** within a month of sign up despite the operator not having established affordability for the customer. Shortly after joining the customer's account was suspended due to Safer Gambling concerns. When a successful call was made, the customer said they had 'had a shocker over the weekend' but were happy to lose **£20k** a month. The customer said they would be happy for the operator to set a deposit limit for them, but this was not done. During a follow up call two days later, the customer said they had been spending more than usual due to having 'nothing to do for eight weeks' due to lockdown. They said they had then had a spree because sports betting had started up again. A **£20k** deposit limit was put on the customer's account and the account was reactivated, despite the operator still not having conducted an affordability assessment. Two days after the account had been reactivated, the customer removed the deposit limit and continued to deposit funds, losing approximately **£25k** in two weeks. At the time of our assessment the operator had still not established affordability for the customer.

Operator E

The customer was not identified as a potential gambling harm concern until they had lost **£11,000** in 6 weeks. The interaction appeared to have no impact as the customer went on to lose a further **£22k** within a month. The customer was able to lose over **£33k** in around ten weeks without any affordability assessment taking place.

Operator F

The customer lost **£24,800** within three days. The operator had not carried out any affordability assessment for the customer.

The Person gambling (continued)

It is unacceptable that unaffordable gambling is still featuring in our casework, and this is why we have launched a consultation to explore how unaffordable gambling can be reduced.

GC action

- We will respond to our consultation and accompanying call for evidence on how best to improve the effectiveness of customer interaction. This consultation is exploring the themes of affordability, vulnerability and identifying and acting on indicators of harm.

Our compliance and enforcement teams continue to see cases where individuals have exhibited clear indicators of gambling-related harm but have been able to continue to gamble without effective action being taken by the licensee. Some of these individuals have funded their gambling through crime but most cases were customers relying on unsustainable funds such as loans; credit; inheritance; personal injury or redundancy payments.

GC action

- Our Compliance team regularly investigate operators and their adherence to the Social Responsibility code provisions as well as reviewing commitments such as those made in Assurance Statements.

Our action to ban gambling by credit cards from April 2020 is intended to mitigate against the risk of financial harms arising from gambling. Evaluation of the change in consumer behaviour that causes is also an important next step.

The Person gambling (continued)

Identification of at-risk behaviours and vulnerability

Identifying customers at risk of, or experiencing harm, can be complex. It is true that each consumer is different, and licensees cannot – in isolation – be sure that an indicator of harm for one consumer is relevant to their circumstances. Some consumers respond negatively to interventions by licensees.

However, the reality is that it is simple to identify consumers that may be at risk of harm, based on financial, time and behavioural indicators and applying knowledge about average consumers or what is already known about a particular consumer based on their behaviour and previous engagement with the licensee. Tailored interventions minimise the risk of alienating consumers.

There is a growing evidence base about patterns of play and behavioural indicators that are linked to risk. This knowledge is not consistently used to consider the position of a consumer and undertake proportionate customer interaction. Often monitoring and oversight of customers to enable early identification of changes in behaviour which may indicate a risk of harm are ineffective. Identifying at-risk behaviour and interacting effectively are central to harm prevention.

We will continue to support collaborative projects to understand how research can guide operator processes to raise standards in the real world. As an example, Gambling Research Exchange received funding from regulatory settlements to deliver research and knowledge exchange to support the National Strategy to

Reduce Gambling Harms. In November, they began a trial project with a representative sample of gambling operators to share knowledge and learning about customer interaction approaches.

The prioritisation of commercial considerations over regulatory requirements in respect of managing High Value Customers has been a recurring theme of our casework. We have found the use of incentivisation schemes as aggravating factors in circumstances where indicators of harmful play have been missed or overlooked. The pursuit of aggressive commercial outcomes using HVC schemes has also resulted in lax controls in preventing the acceptance of proceeds of crime.

HVC schemes should only be offered with rigorous oversight, clear senior accountability for their operation and outcomes, and should only serve those consumers for whom the licensee has undertaken thorough due diligence checks. That is why we recently strengthened the requirements around how these schemes operate.

GC action

- We are implementing the outcome of the consultation strengthening requirements on how licensees manage high value customers.

When consumers are in a vulnerable situation, they may be less able to understand the risks of gambling and the terms and conditions; consequently, they may be at higher risk of experiencing negative outcomes.

The Person gambling (continued)

There are many reasons a person may be in a vulnerable situation and changes to an individual customer's circumstances may mean that a person becomes more or less vulnerable to experiencing negative outcomes. A vulnerable situation can be permanent, temporary or intermittent, and may be related to health, capability, resilience, or the impact of a life event.

Those circumstances could include bereavement, loss of income or other factors. This information may not always be available to a licensee, but they should be ensuring staff ask questions when there are potential signs of vulnerability, to help to determine whether those individual circumstances present an increased risk.

Persons in vulnerable situations can face challenges when interacting with a range of financial, digital or complex consumer products. The Financial Lives 2020 survey conducted by the Financial Conduct Authority (FCA) has found that just under half (46%) of UK adults, aged 18 and over display one or more characteristics of vulnerability. The risk increases as more than one

vulnerability characteristic is present and where those needs are not met. The Money and Mental Health Policy Institute (MMHPI) found that people with mental health problems are three and a half times more likely to be in problem debt.

When looking at gambling specifically, a recent report by the Money and Mental Health Policy Institute included findings from a survey of their research community of people with lived experience of mental health problems.¹⁶ This identified that a quarter (24%) of respondents have experienced financial problems because of gambling online, and one in three (32%) have bet more than they could afford to lose.

Licensees are not consistently taking account of information that may indicate vulnerability which they receive as part of customer service, information about source of funds or in dealing with complaints. This means they are missing the opportunity to take account of vulnerability.

GC action

- We will publish a statement setting out the principles and key areas of work in our approach to vulnerability.

¹⁶ Source – [A Safer Bet](#)

The Person gambling (continued)

Engaged gamblers who participate in multiple products across different providers

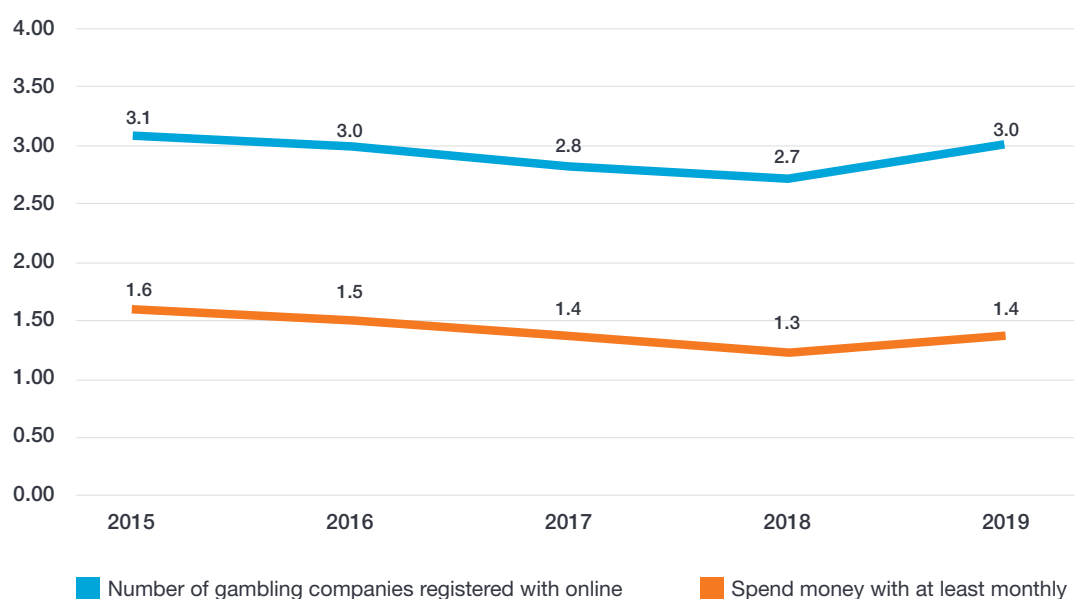
A challenge to addressing the person-centric risk to the licensing objectives is the ability for consumers to circumvent any individual operator-led controls by gambling with several different companies. This is not an impediment to progress on controls to address the risk in those scenarios where significant markers of harm, criminal spend,

or suspicious activity is confined to activity with a single licensee or group.

This issue is highlighted by data which shows **56%** of online gamblers have more than one gambling account and on average they have **3** accounts as shown in *Figure 8*.¹⁷

Figure 8

Registered accounts vs frequent use



¹⁷ Online gamblers who hold one or more gambling accounts.

Source – [Gambling participation in 2019: behaviour, awareness and attitudes](#)

The Person gambling (continued)

Figure 9 shows the proportion of customers who play multiple activities and the equivalent prevalence of problem gambling for each of these groups¹⁸.

Figure 9

Aged 16 and over with a valid DSM-IV or PGSI score		
Number of gambling activities	Problem gambler according to either DSM-IV or PGSI	
	Combined GB Health Surveys 2016	Health Survey England 2018
1 activity	0.3%	0.2%
2-3 activities	0.4%	0.7%
4-6 activities	3.2%	1.2%
7 or more	13.2%	15.1%

The implementation of multi-operator self-exclusion schemes and other gambling management tools which are player rather than operator centric have demonstrated how progress can be made. Supporting those who wish to limit or stop gambling is a regulatory focus. Our data shows **5%** of adult gamblers in Great Britain (**1.9 million**) have ever excluded¹⁹.

GC action

- We are continuing to press the industry to use technology to overcome the challenge of keeping a customer safe where they gamble with multiple operators. That is why we have bought together technology providers, data scientists, academics, researchers and financial service providers to work with us to develop solutions to provide a 'single customer view'.

¹⁸ Sources – [Gambling behaviour in Great Britain 2016](#) and [Health Survey for England 2018 supplementary analysis on gambling – December 2019 update](#)

¹⁹ Source – [Gambling participation in 2019 behaviour awareness and attitudes](#)

The Person gambling (continued)

Underage gambling

With some limited exceptions, gambling activities regulated under the Gambling Act 2005 are restricted to over 18s. Central to a licensee's permission to provide facilities for gambling is that they prevent underage access.

For premises-based gambling, test purchasing is one approach by which the Commission or licensing authorities can test the effectiveness of operators' controls. Operators of licensed gambling premises are required to undertake test-purchasing under agreed methodologies to test 'Challenge 21' processes. Data representative of **90%** of gambling premises across betting premises and arcades shows sustained improvement with the most recent pre-Covid-19 data indicating that in **9** out of every **10** tests the 18/19yr old test purchaser was challenged to verify their age during their visit. The current rate of **1** in **10** visits resulting in a failure to challenge for ID demonstrates the need for continued vigilance on the part of licensees.

Other locations where children and young people can access gambling continue to present a higher risk of underage gambling. Pre-Covid-19 test purchase activity on access to gaming machines in pubs and betting at racecourses exposed serious weaknesses in controls. Such gambling environments pose a heightened risk due to the ability of under 18s to be in the vicinity of gambling facilities. As these premises reopen following the Covid-19 restrictions it is important that efforts are redoubled to prevent underage access.

Children and young people can be harmed not only by their own gambling, but also by the gambling of family members for example because of neglect or financial harm. There is evidence of intergenerational transfer of risk behaviours with parental problem gambling a strong predictor of problem gambling among children.²⁰

In Great Britain, children and young people are legally permitted to gamble in limited ways, although most commercial gambling is restricted to over 18-year olds. In overall terms the levels of gambling by children has been falling over time. Our data found that **11%** of 11-16-year olds surveyed had spent some of their own money on gambling activities in the last seven days in 2019²¹. The value of this headline figure in informing regulatory risk is undermined as it includes gambling activities which respondents are lawfully permitted to participate in, such as a private bet for money with family or friends (mentioned by **5%**) and fruit/ slot machines (**4%**). The sample size for the 2020 report is smaller as a result of being disrupted by Covid-19 but we are also looking at how this source of evidence can be strengthened further to specifically track prohibited gambling by children and young people as a measurement of licensees' controls.

²⁰ Children and young persons gambling research review, G Valentine, 2016

²¹ Source – [Young People Gambling Report 2019](#)

The Person gambling (continued)

GC action

- Having strengthened age verification controls for online gambling we will continue to use our compliance and enforcement powers to ensure they are complied with²². We will continue to support those licensing authorities, local police or trading standards who undertake test purchasing in response to heightened risk or as part of their general legal and regulatory oversight.

Gaps in the evidence and understanding of gambling related harms

Building and maintaining a first-rate evidence base on gambling harms is essential to inform effective regulation.

The national Health Surveys across Great Britain²³ look at changes in the health and lifestyle of people and, where possible, include questions on gambling participation and problem gambling. The Health Surveys provide robust, high quality data; however, they are typically able to include gambling questions only every 2-3 years, and the speed of reporting is relatively slow. The most recent Health Survey data relates to England and Wales in 2018, however the last combined Great Britain report was published based on 2016 data.

To ensure a more up-to-date picture and to fill in evidence gaps between Health Surveys, we conduct a quarterly telephone survey (nationally representative of adults in Great Britain), amongst other research, to see how behaviour is changing and the impact of regulatory changes to the industry.²⁴

GC action

- We will launch a review of our approach of tracking participation in gambling and the prevalence of at-risk and problem gambling. This review will examine options for consolidating the multiple survey vehicles currently used into a single robust, efficient and flexible approach. We will be publishing a consultation to seek input from interested parties including experts in the field later this year, and we will start implementing outcomes in 2021.

Gambling-related harms are the adverse impacts from gambling on the health and wellbeing of individuals, families, communities and society.²⁵ These harms affect resources, relationships and both physical and mental health.

²² Source – [New age and identity verification rules changes to the ICCP from tuesday 7 may](#)

²³ Health Survey for England, Scottish Health Survey, supplemented by a similar survey in Wales (currently the National Survey for Wales)

²⁴ More detail about the Gambling Commission's official statistics on gambling participation and prevalence can be found at [Understanding gambling research statistics](#)

²⁵ Measuring gambling-related harms: A framework for action, Wardle and Reith et al (2018)

The Person gambling (continued)

GC action

- We will establish a permanent Experts by Experience advisory group to build on the valuable input provided by our interim arrangements.

Collectively, we are moving away from solely counting the number of problem gamblers in the population, towards also developing approaches to comprehensively measure the different harms caused by gambling.

The current practice of assessing the extent of gambling-related harms by problem gambling prevalence rates can be misleading. Prevalence rates fail to capture important dimensions of harm, including those experienced by others than gamblers themselves (affected others). This means they are potentially underestimating the scale of harm.

Understanding and measuring gambling-related harms should therefore be one of the top priorities for everyone involved in gambling.

Longitudinal research is a potential component of an improved programme of work to understand and measure gambling-related harms.

GC action

- We will scope feasibility of a longitudinal study of gambling behaviours and problem gambling to inform the next steps on improving research into gambling.

GC action

- We are piloting a new set of questions on our quarterly online omnibus survey to understand the public's experience of gambling-related harms. This work builds on the framework of harms devised by academics in 2018. The first wave of this survey data was collected in June, with further waves to be completed by December. Subject to appropriate validation this data will provide valuable insight into the type, severity and extent of gambling harm being experienced and provide a rich dataset to sit alongside more regular tracking of problem and at-risk gambling rates.

The Place where gambling is occurring

Key issues and risks

- ▶ **Accessibility of online gambling:** The 24/7 availability of online gambling has changed how and when consumers gamble
- ▶ **Anonymity within premises-based gambling:** Most land-based gambling is conducted without identification of customers limiting the scope for player-centric controls
- ▶ **Advertising:** Gambling advertising must be socially responsible, it must not be targeted at under 18s, and its content must not encourage irresponsible gambling behaviour.

What do we know?

Overview of how and where people gamble in Great Britain

The place where a person gambles is an important factor in the management of risks to the licensing objectives. The approaches taken to ensure gambling is fair, safe and crime free differ depending on whether the gambling is provided by remote means or from gambling premises. The Gambling Commission wants consumers to be able to enjoy gambling safely, whether they are playing online or in premises.

More than **18 million** people report gambling in premises authorised to provide gambling (including National Lottery products purchased in retail outlets), in the past 4 weeks. Licensed gambling premises are operated under an operating licence granted by the Commission and premises licences granted by the **368** licensing authorities.

Prior to Covid-19 there were **9,745** licensed gambling premises in Great Britain made up of the following premises types:

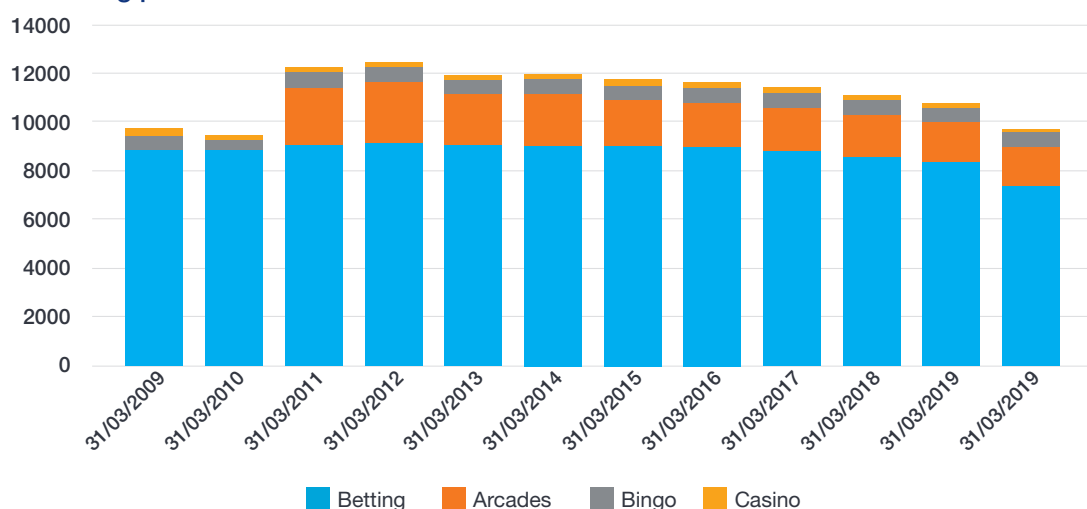
- ▶ Betting premises – **7,315**
- ▶ Arcades – **1,633**
- ▶ Bingo premises – **642**
- ▶ Casinos – **155**

Our industry statistics show the number of licensed gambling premises is declining.

The Place where gambling is occurring (continued)

Figure 10²⁶

Gambling premises numbers



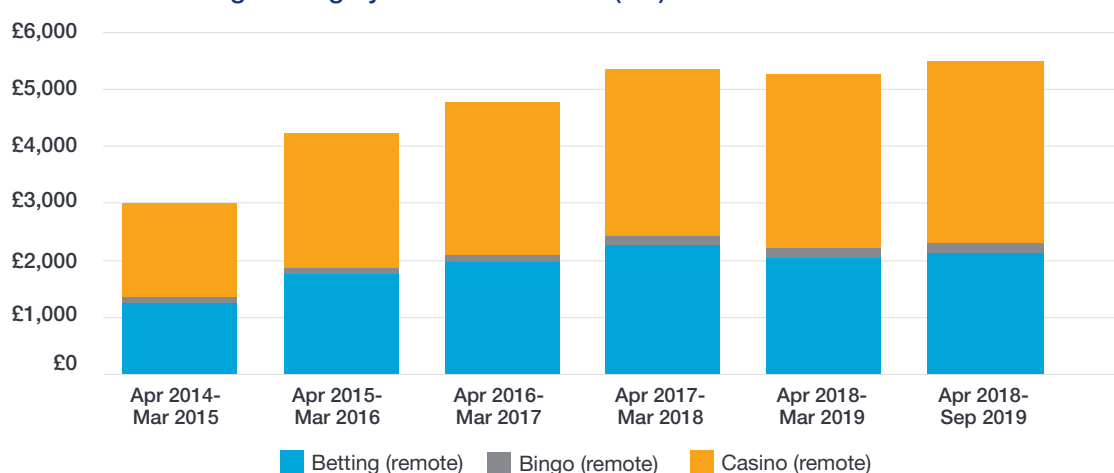
The gambling participation rates in licensed gambling premises has also been declining. For example, in 2016 **38%** of adults reported they had gambled in premises in the past four weeks; in 2019 this reduced to **35%**²⁷.

Accessibility of online gambling

The decline in premises-based gambling has coincided with an increase in online gambling. In 2016, **17%** of adults reported they had gambled online in the past four weeks; that had increased to **21%** in 2019²⁸. Data from our Industry Statistics shows the growth in remote gambling GGY by sector as shown in *Figure 11*.

Figure 11

Growth in remote gambling by sector since 2014 (£m)



If extrapolated, our latest annual data equates to **11 million** adults having gambled online in the last 4 weeks.

²⁶ Data for arcades is unavailable for 2009-10

²⁷ Source – Quarterly Telephone Survey – Year to December data periods

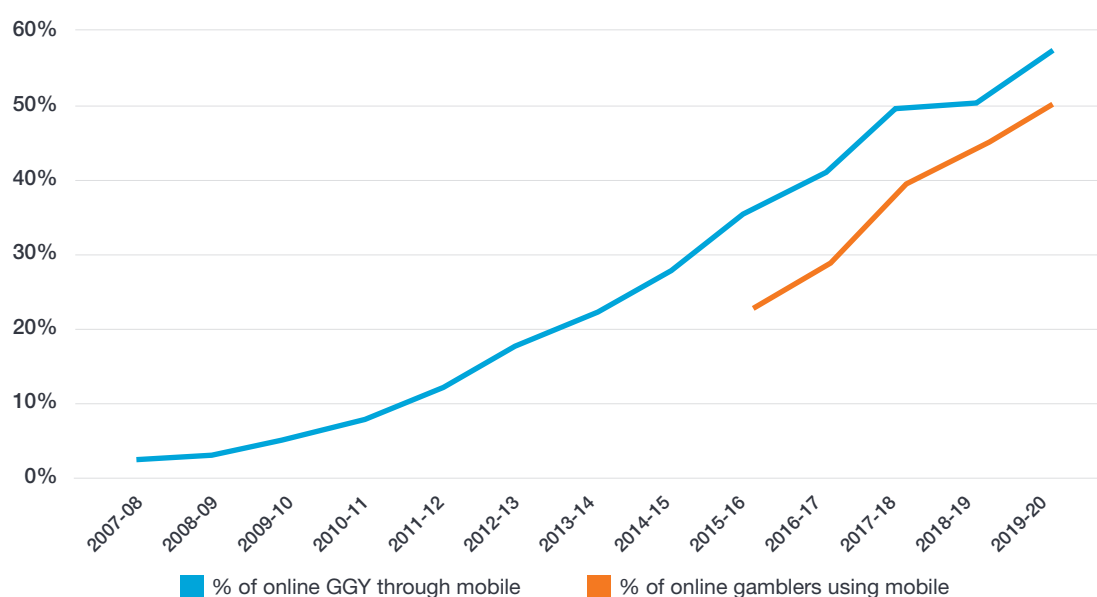
²⁸ Source – [Gambling participation in 2019 behaviour awareness and attitudes](#)

The Place where gambling is occurring (continued)

As *figure 12* shows, **50%** of people gambling online used a mobile phone.²⁹

Figure 12

Mobile use



The emergence of online gambling, in particular mobile gambling means consumers have far greater access to a wider range of gambling products. Many large online licensees provide a one-stop shop for gambling facilities incorporating betting, casino games (live and virtual), slot games, bingo and poker all accessible from a single app. **56%** of online gamblers have more than one gambling account and on average they have **3** accounts.²⁹

In 2019 we asked our Advisory Board for Safer Gambling (ABSG) and the Digital Advisory Panel (DAP) to review and advise our ongoing work and future approach to tackling online gambling harms. Their recommendations for priority actions included addressing the risks of game design and habit forming apps, making more use of data through a 'single customer view', and harnessing the use of ad tech to reduce vulnerable adult and children's exposure to online gambling advertising.

²⁹ Source – [Gambling participation in 2019 behaviour awareness and attitudes](#)

The Place where gambling is occurring (continued)

Advertising

The Gambling Act 2005 permits licensed gambling businesses to advertise subject to reasonable consistency with the licensing objectives and a range of legal and regulatory controls. Powers to regulate gambling advertising are shared between the Secretary of State, Ofcom, the Advertising Standards Authority (ASA) and us.

The UK Advertising Codes, which are written by the Committees of Advertising Practice (CAP) and enforced by the ASA, are designed to ensure that marketing communications for gambling products are socially responsible, with particular regard to the need to protect children, young persons under 18 and other vulnerable persons from being harmed or exploited by advertising that features or promotes gambling.

Gambling advertising must not be targeted at under 18s or be of particular appeal to them. We work very closely with the ASA and if a gambling business is found to be in serious or repeated breach of the rules, we can act.

Ipsos MORI research commissioned by GambleAware in response to our research priorities, found that there has been a clear increase in the volume of, and spend on,

gambling advertising in recent years. Lotteries and bookmakers were the top spenders across all types of media. This matches YouGov data that tracks the public's awareness of advertising which consistently finds Lotteries (both National Lottery and Society Lotteries) to be the advertised products most recalled. Data shows between **18-21%** of the public report awareness of Lottery advertising versus between **4-5%** who report being aware of non-Lottery gambling advertising.

The Place where gambling is occurring (continued)

What are the issues?

Online gambling

Online gambling presents a distinct set of risks and opportunities. It is important to look at the risks at each stage of a consumer's experience with online gambling:

- ▶ **Before a consumer decides to play**, where licensees and affiliates seek to influence decisions through their advertising, marketing, and incentives such as bonus offers.
- ▶ **At the point of sign-up/log-in**, where licensees have an opportunity to collect and verify know your customer information and understand a player's preferences.
- ▶ **Before play begins**, when licensees can nudge customers to apply safer gambling tools, or automatically apply them subject to understanding more about a customer such as how much time and money individuals can afford to spend gambling. Licensees should also be providing clear information to players about how their products work to enable consumers to make an informed choice on what products they wish to participate in.
- ▶ **During play**, where game or platform features can encourage harmful play or support safer play. Where customers can gamble with the assurance that they will be treated fairly, and any winnings will be paid promptly.

- ▶ **Before, during or after play**, where operators can act on information about individual player behaviour to initiate an interaction and support safer play. Where player activity is monitored to ensure suspicious activity is identified and reported. Where customers are given clear accessible information on how they can raise queries or complaints and be reassured their concerns will be addressed promptly and fairly.

GC action

- ▶ We will continue to use our regulatory powers to make online gambling safer through targeted action to improve standards.
- ▶ We will continue to use the expertise of our advisory groups including the insight provided by our Digital Advisory Panel, formed with online industry and digital commerce experts, to give us access to expertise on digital industries and emerging technologies. This is to ensure regulation remains fit for purpose and helps us respond to new and emerging risks.

The Place where gambling is occurring (continued)

Anonymity within premises-based gambling

Premises-based gambling presents different challenges and opportunities to online gambling. Offering gambling in person provides the opportunity to observe and engage with customers face to face. However, where gambling is not account-based it is more difficult to track consumer behaviour and provide gambling management tools to players. Most premises-based gambling can be undertaken anonymously.

Anonymity within premises-based gambling combined with the use of cash poses inherent challenges to identifying and acting on suspicious gambling activity. Even when identity is not a factor, we still see the challenge that premises-based environments such as casinos encounter, in delivering regulatory requirements when interacting with customers who are primarily engrossed in a social leisure activity. Operators must implement successful methods to engage to prevent harm and comply with preventative money laundering measures required in legislation.

The risk of harm in premises-based environments is linked to the number of staff working in those premises, as that determines the type and level of interaction that can take place with consumers.

Premises can be locations for crime, and we see examples such as violent or abusive behaviour toward staff or other customers, physical damage to the premises, money laundering and drug use or dealing. Schemes

such as Betwatch, a community-based crime prevention scheme between the Gambling Commission, the police, local council, and bookmakers, are designed to tackle localised anti-social and criminal behaviour in and around betting shops. Whilst these schemes have been successful in tackling some of these issues, they are not nationally set nor industry wide.

GC action

- ▶ We will continue to work closely with key regulatory partners to ensure gambling is fair, safe and crime free – including local licensing authorities.
- ▶ We will continue to engage with premises-based gambling operators to deliver industry engagement and a programme of initiatives to raise standards informed by and complementary to our compliance and enforcement activity.

Covid-19 has had a severe impact on premises-based gambling and the full impact of this on consumer behaviour is not yet known. As premises reopen and adapt to the new environment there is an opportunity for land-based gambling to make a case for creative solutions to enhance their products and services in a way which goes hand in hand with enhanced consumer protections.

GC action

- ▶ We will continue to challenge industry to implement consumer protections through a product design working group.

The Place where gambling is occurring (continued)

Advertising

Advertising is another area that is constantly evolving. Traditional advertising methods such as print, broadcasting, and sponsorship are being supplemented by digital marketing which can be far more personalised and direct than for example TV or radio campaigns. While the growth of digital marketing presents some risks it also presents opportunities – not available in traditional media – for targeting away from vulnerable audiences, including children and young people. For example, social media platforms can restrict what adverts are served to users based on age, preferences, or explicit requests.

GC action

- We directed licensees to make progress on the use of ad-tech to proactively target online marketing for gambling away from children, young people and those who are vulnerable to harms. We will monitor the effectiveness of the updated version of the Gambling Industry Code for Socially Responsible Advertising which came into effect on 1 October 2020.

During the period 2015-19, the number of licensed brands lawfully permitted to be marketed increased from **2,714** to **4,968**, an **83%** increase. Ad volume and spend increases do not necessarily equate to increased ad exposure. There are more opportunities to advertise than ever before (hundreds of TV channels, thousands of websites, social media platforms etc) meaning advertising is spread out across a number of diverse media channels.

Our tracker data shows³⁰ that overall exposure to gambling advertising has remained stable since 2016. The ASA's latest report³¹ on TV ad exposure found that children saw, on average, **2.2** and **2.7** gambling ads on TV per week in 2008 and 2009, respectively; in 2019, children saw a weekly average of **2.5** gambling ads on TV. Children's exposure to gambling ads on TV peaked in 2013 (seeing, on average, **4.4** gambling ads on TV per week) and has since declined slowly. Ads for bingo, lottery and scratchcards continue to make up most gambling ads that children see on TV.

Studies looking at the impact of advertising on adult gambling behaviours have indicated that exposure to advertising may be linked to a greater likelihood to gamble. However, the existing evidence base does not demonstrate a causal link between exposure to gambling advertising which complies with the current rules and problem gambling at a population level.

30 Source – [Children's exposure to tv ads for gambling and alcohol a 2019 update](#)

31 Gambling Commission Online Tracker Survey

The Place where gambling is occurring (continued)

The Ipsos MORI research reached the following key conclusions:

- ▶ There are reasonable grounds for concern about the impact of marketing and advertising, and there is a link between gambling advertising and the attitudes, current and likely future behaviours of children, young people and vulnerable adults. However, the research was not able to find a causal link between exposure to gambling advertising and problem gambling in later life³².
- ▶ This is not to say that gambling cannot be enjoyed recreationally at legal age; however, children, young people and vulnerable adults have already been identified as being more likely to experience gambling disorder or be vulnerable to gambling related harms.
- ▶ Changes to advertising practices should be an intrinsic part of a wider policy initiative that also considers the influence of peers and family members in exposure to gambling brands and practices, as the research shows that these factors correlate more closely with current gambling behaviour than exposure to or engagement with advertising.

▶ The report suggests applying the precautionary principle and that action would be warranted in:

- ▶ Reducing exposure to gambling advertising
- ▶ Reducing the appeal of gambling advertising
- ▶ Improving customer protection messaging within advertising
- ▶ Improving wider education initiatives
- ▶ Improving understanding through further research

We have supported CAP's recent proposals to tighten the rules around the content and targeting of gambling ads, in particular, to further limit the appeal of gambling ads to under-18s and other vulnerable people.

We will continue to use our regulatory powers to ensure operators promote their products responsibly.

GC action

- ▶ We will gather evidence on how best to prevent bonuses being offered to consumers displaying indicators of harm, building on our interim guidance issued during the Covid-19 lockdown.

³² Longitudinal research is required to assess this – last year we commissioned a scoping study to determine the best methodology for a longitudinal study. This has been identified as a priority under the National Strategy for Reducing Gambling Harms.

The Place where gambling is occurring (continued)

We estimate there are many thousands of marketing affiliates in operation in the gambling industry. Licensees must ensure that any affiliate acting on their behalf is doing so in full compliance with the rules around gambling content and placement and in a manner, which does not undermine the licensing objectives.

Licensees must also ensure they or affiliates are not placing adverts on illegal copyright infringing websites. Gambling ads are often placed on pirate publishers due to poor algorithmic decision-making that associates pirate sports streaming with legitimate sports websites. The problem arises when technology fails to filter out risky publishers like pirate streaming websites. Until brands have complete transparency over their advertising supply chains, this issue will continue.

Our work with the City of London Police's Intellectual Property Crime Unit (PIPCU) has resulted in a dramatic decline in gambling advertising on pirate websites. Having previously been identified as the top sector for such adverts, White Bullet data³³ from April 2020 showed gambling now represents less than **2%** of adverts. Licensees must build on these positive developments by maintaining proactive control over all aspects of their advertising activity.

Foreign gambling companies are entering into advertising arrangements with British licensees to support sponsorship deals which seek to benefit from the global exposure of high-profile sports events such as the English Premier League. These companies often have little commercial interest in offering gambling in Great Britain but do want to use the Premier League to advertise their products in other jurisdictions where the Premier League is popular.

Such 'white label' arrangements have in some cases been found to present risks to the licensing objectives. These arrangements cannot be used to circumvent the robust licensing controls in place in Great Britain. Licensees must conduct appropriate due diligence checks on any prospective partners before entering a business relationship. Responsibility for compliance will always sit with the licence holder so they must satisfy themselves that appropriate safeguarding measures and controls are in place before committing to contractual obligations.

³³ Source – [*UK gambling regulator has fined gambling brands which fail to manage third-party websites on which they advertise*](#)

The Place where gambling is occurring (continued)

Case Study

In May 2020 FSB Technology Limited was required to change its operation following the imposition of additional licence conditions. FSB had to pay **£600,000** for advertising, money laundering and social responsibility failings.

FSB's business model included contracting provisions of its licensed activities to third parties. This arrangement, often referred to as a 'white label', places responsibility on the licensee to ensure that its third-party partners keep gambling fair, safe and crime-free.

An investigation found FSB did not have sufficient oversight of third-party websites or effective policies and procedures in place between January 2017 and August 2019 resulting in:

- ▶ Ineffective customer interactions with, and source of funds checks on, a customer who displayed indicators of problem gambling and spent **£282,000** over an 18-month period.
- ▶ Sending a marketing email to **2,324** customers who had previously self-excluded.
- ▶ A VIP team manager acting without adequate oversight and not receiving sufficient AML training.
- ▶ Placement of an inappropriate banner advertisement containing cartoon nudity on a Great Britain facing website which was providing unauthorised access to copyrighted content.

The gambling Product

Key issues and risks

- ▶ **Online game and platform design:** Understanding product and game characteristics and their links to harm should inform how games and platforms are made safer by design.
- ▶ **Gaming machines:** The product characteristics of gaming machines combined with the environments in which they are made available present regulatory risks.
- ▶ **Higher risk products:** Core product characteristics such as speed of play, frequency, staking options, return to player and accessibility should inform the risks to players and should guide the controls applied.
- ▶ **Product innovation:** Product innovation should deliver positive consumer and regulatory outcomes and not be focused on commercial outcomes alone.

What do we know?

There has been an increase in the proportion of players who play slot games either online or in person. Online slots are the largest online gambling product by Gross Gambling Yield.³⁴

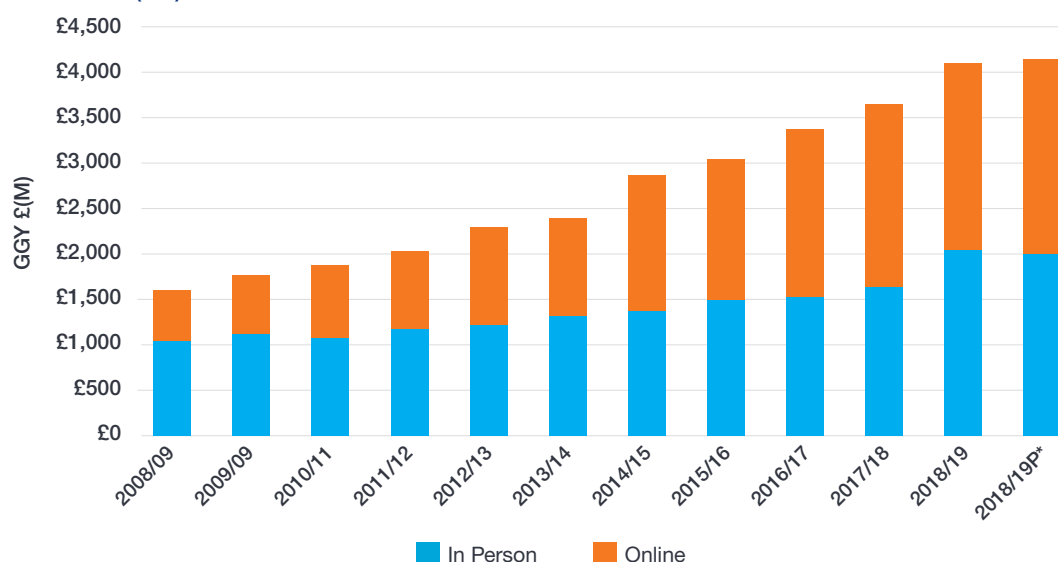
With an increasing proportion of players playing these higher risk products an area of focus is ensuring games are safer by design and consumers understand how they operate to enable them to make an informed choice.

³⁴ Source – [Industry statistics](#)

The gambling Product (continued)

Figure 13

Slots GGY (£m)



*P – provisional new data, Oct 19 – Sept 19

The Gambling Commission knows that problem gambling rates associated with online slots, casino or bingo games are higher than the land-based equivalents. We have therefore focused on the drivers behind these products and how they can be made safer for consumers.

We also know the success of content creators and games designers depends on their ability to establish and maintain the engagement of their consumers. We know that this can be done by behavioural techniques which has the potential to unconsciously change consumer behaviour.

GC action

- We will publish the findings of the randomised controlled trials with three large operators into anchoring and commitment devices.

There are many contributing factors for the risks associated with a gambling product, including the speed and frequency of play, ease of access and scope to deposit and lose funds as a result of the design of games and the platforms they are made available from.

Gambling-related harm occurs at all levels of staking and across different gambling products. Rates of problem gambling across different gambling products should inform how licensees identify and mitigate the risks associated with their product range.

No single policy change can make gambling products safe. Addressing the risks associated with the products people play – such as stake limits or speed of play – should be considered alongside a package of complementary initiatives which impact each stage of a customer's interaction with a given product. That is why our approach includes

The gambling product (continued)

looking at affordability measures, better identification of vulnerability, earlier preventative action, safer game design, responsible marketing and advertising, and customer interaction.

To date, stake and prize limits have not been imposed on online gambling in Great Britain. They have been a longstanding feature of gaming machine regulation and are set by the Government. The majority of gaming machine play remains anonymous making personalised gambling management tools less effective. Conversely, the potential for effective player-centric consumer protection that account-based play offers online licensees has not been sufficiently seized.

Figure 14 provides a snapshot of the levels at which players staked when playing online slot games. It is important to note this data has been collected from licensees during the Covid-19 period where consumer behaviour has been impacted by factors including the closure of gambling premises. This analysis builds on an earlier snapshot of staking behaviour from January 2017³⁵.

Figure 14

Online slots staking levels	April to August 2020
£1 and below	88%
£1.01 to £2	8%
£2.01 to £5	3%
£5.01 to £10	1%
£10.01 to £20	0.2%
£20.01 to £50	0.1%
£50.01 to £100	0.01%
>£100	0.004%

Parity in consumer protection between online games and games played in premises would require the implementation of stake and prize-controls for online games and a requirement for account-based play on gaming machines.

To help inform consumers about how products operate there needs to be better communication of key gambling concepts to help consumers to understand their chances of winning. Research has found that consumers often struggle to understand ‘industry jargon’ and associated mathematical concepts and this is also apparent in customer complaint data.³⁶

Research commissioned by Gamble Aware considered several options for better communicating concepts such as house edge, return to player and game volatility to players. But we have not seen licensees make sufficient progress in this key area to ensure gambling is as fair and open as possible.

GC action

- To improve understanding of player experience of gambling products, we are actively engaged in several research programmes including the largescale GambleAware-funded project into online patterns of play being led by NatGen.

³⁵ Source – [Analysis of play among British online gamblers on slots and other casino-style games](#)

³⁶ Source – [Revealing Reality IGRG Report for Gambleaware](#)

The gambling Product (continued)

What are the issues?

Online game and platform design

There has been an increase in the proportion of online players who play online slots. Online slots are the largest online gambling product by Gross Gambling Yield (GGY) – played by relatively few but with a higher average spend. Structurally it has several features which can combine to significantly increase intensity of play.

This is an area of focus for us because the [Health Survey for England 2018](#) records the problem gambling rate³⁷ for online slots, casino or bingo games as **8.5%**. For online betting with a bookmaker it is **3.7%** and **10.7%** for betting on a betting exchange.

Online gambling is, therefore, an area of relatively high risk. Our research into [why consumers gamble](#) indicates that **24%** of participants reported that they had experienced a ‘hot state’, where they self-reported as having binged whilst playing online slots. This finding ranks online slots as the gambling product with the highest binge rate amongst the respondents to this research. We also know problem gambling and moderate-risk rates are higher for online slots as a product, but importantly that these rates increased for certain groups such as young adults, for whom the risk of gambling-related harm appears higher.

GC action

- We will publish a response to our consultation on Safer Game Design.

The way a player can add funds, and how easy it is to do also plays a role in risk. Non-cash payment methods without suitable controls may facilitate increased spending and disrupt a player's cognition of the perceived impact on their finances. Such a risk is exacerbated by platform designs which discourage the cashing out of winnings or provide the opportunity to reverse withdrawal requests. This risk is heightened by the conduct of some licensees who institute additional player checks at the point of withdrawal and not at deposit or prior to gambling.

Licensees cannot demand that customers submit information as a condition of withdrawing funds from their account, if they could have reasonably asked for that information earlier.

GC action

- We will publish a response to our proposal to ban reverse withdrawals. Licensees were instructed in May 2020 to prevent further reverse withdrawals as an immediate player protection measure, whilst this issue was considered.

³⁷ Defined by classification as a problem gambler by either or both of the PGSI and DSM-IV screens

The gambling Product (continued)

Higher risk products

The speed and frequency of the gambling opportunity within a game impacts the risk. Activities that permit high frequency participation are more likely to be associated with harm and more readily facilitate problematic behaviour, such as loss chasing. This type of game may mean that some players experience greater feelings of 'punishment' (as opposed to reward), which can cause persistent play as the player tries to get away from that uncomfortable feeling. In practice, though, there is likely to be a limit to how slow a gaming opportunity can be made before a customer seeks alternative forms of stimulation.

Higher risk products typically provide players with the opportunity for fast-paced, repetitive and chance-based games which are available 24 hours a day. Problem gamblers tend to be more motivated to gamble because of the need to relax or escape or modify their mood, and evidence suggests that faster, more continuous or repetitive games best accommodate that need. Activities with high event frequency are likely to be the most attractive. As a result, online slots, casino and bingo are higher risk. We are focusing on products that behave like this, and the measures that can be put in place to make these products safer.

Case Study

A Commission investigation found that **6** licensees were offering products providing 'feature buy-in' facilities on slots style games. This facility gave consumers the option of staking significant amounts of money to access the bonus feature without playing the initial stages of the game. One game was charging more than **£3,000** to enter the bonus feature.

The option of purchasing a feature in a slot game raised huge concerns linked to social responsibility.

After considering Remote Technical Standards section 3A and 14A, the **6** Licensees were instructed to remove these products. This included withdrawing the identified games in their current form and any games with similar game features and functionality. Further licensees were contacted and instructed to remove games with the option to buy a feature.

The Commission's remote gambling and software technical standards contain the following requirements:

- RTS requirement 3A: An explanation of the applicable rules must be easily available to the customer before they commit to gamble.

The gambling Product (continued)

Case Study continued

- The content including artwork and text must be accurate, and sufficient to explain all of the applicable rules and how to participate. All reasonable steps must be taken to ensure that the content is understandable.
- RTS requirement 14A: Gambling products must not actively encourage customers to chase their losses, increase their stake or increase the amount they have decided to gamble, or continue to gamble after they have indicated that they wish to stop.

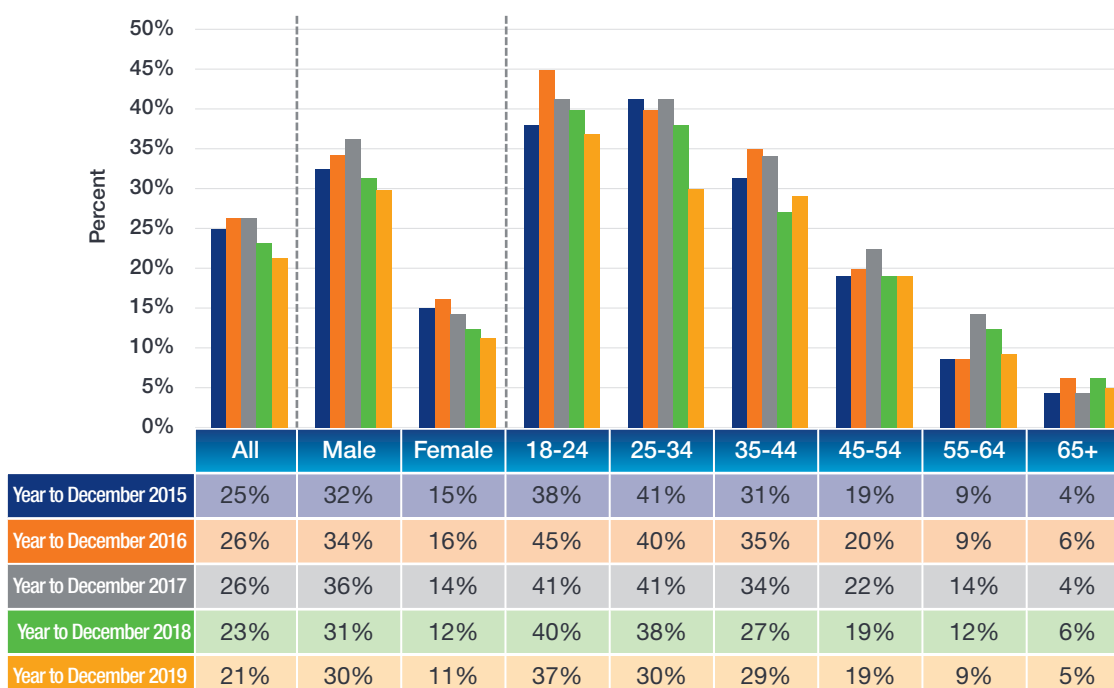
The focus when discussing higher risk products is often on gaming products. However, product characteristics which traditionally acted as a natural brake on the intensity of sports betting have been eroded with the growth in in-play betting.

In-play betting allows for rapid, repeat activities, which are risk factors for problem gambling, and blur the distinction between online gaming and online betting³⁸.

Figure 15 shows the proportion of online gamblers who bet in play. Since 2015 the proportion who do so appears to have declined from one-quarter to just over one-fifth, with the main decreases being seen in the **25-34** age groups and in females.³⁹

Figure 15

Percentage of online gamblers who bet in-play



³⁸ Killick, E. A., & Griffiths, M. D. (2018). *In-play sports betting: A scoping study*

³⁹ Source – [Gambling participation in 2019 behaviour awareness and attitudes](#)

The gambling Product (continued)

Our data shows the importance of in-play GGY to licensees, with in-play betting generating over one-half of GGY for sports where consumers can bet in play.

In-play has successfully utilised the increase in use of mobile for online gambling particularly in terms of removing friction and the constraints of pre-event betting only. *Figure 16* compares the proportion of online gamblers who bet

in-play (shown on the left hand side of the infographic), currently at **21%** and contrasts this figure with the proportion of relevant sports betting GGY which is derived through in-play (**54%**) – shown on the right hand infographic.

This illustrates the commercial importance of in-play betting to operators where a relatively small portion of online gamblers accounts for a large portion of betting GGY.

Figure 16



Given the risk factors associated with in-play betting, it is important that licensees ensure appropriate consumer protections are put in place. That includes controls to prevent excessive gambling, and to ensure responsible advertising and promotion of these products.

It is also important that clear player information is available on how in-play markets operate including 'cash-out' features and accompanying risks associated with delayed video streams or data provided to the player.

The gambling Product (continued)

Product innovation – Betting Exchanges, Pool betting and Crossover products

Innovation in product design with a clear focus on the licensing objectives, helps an industry embrace new technologies and adapt to societal changes to the benefit of consumers. Some product innovation has not given due consideration to the possible impact on the licensing objectives.

Betting Exchanges pose different risks due to their peer to peer nature. This year has seen increased regulatory activity related to betting exchanges, an area of growing complexity as operators expand the breadth of markets available and the jurisdictions from which they draw their customers. This creates inherent challenges of matching customers who may be operating under different regulatory requirements.

There is no ambiguity in respect of the standards we expect to be applied to any bet struck under an operating licence issued by the Commission. Licensees must comply fully with requirements of the Gambling Act and the Licence Conditions and Codes of Practice including Social Responsibility and Anti Money Laundering (AML) provisions.

Operators of betting exchanges must apply critical risk-based thinking in advance to address these challenges – assuming something good enough for one regulator will be acceptable to another is flawed and is not likely to withstand scrutiny where there is reason to believe inferior standards are being applied instead of British requirements.

Efforts to reinvigorate pool betting products with notional co-mingling have also combined with the increasingly globalised gambling market. Whilst product innovation can benefit consumers, licensees need to ensure that products are licensed and operate transparently, and our standards of consumer protection are reflected in any international commercial arrangements.

Another area of product innovation that we continue to scrutinise are new business models which risk blurring the lines between betting regulated by us, and spread-betting or other instruments regulated by the FCA.

GC action

We will continue to:

- ▶ engage with DCMS to provide advice on the resources required to regulate effectively.
- ▶ understand new technologies.
- ▶ improve our understanding of new products, delivery mechanisms and payment methods.

PRODUCTS

Whilst a lot of our focus relates to the shift of consumers toward online gambling and gambling on mobile phones, we remain mindful that playing gaming machines in premises also presents issues and risks.

The Health Survey for England 2018 records the problem gambling rate for those playing gaming machines in bookmakers at **12.7%** and for slot machines at **5.1%**, with the moderate risk rate being **14.5%** and **9%** respectively. This is in addition to low-risk rates of **21.8%** for machines in bookmakers and **15.8%** for slot machines.

The stake cut to **£2** has prompted the withdrawal of B2 gaming machines from the market. It is important that the risks posed by other categories of gaming machines are not overlooked. Remaining category B and C gaming machines share several risk factors considered concerns in relation to category B2 machines and have some additional environmental factors such as the availability of some machines in alcohol licensed premises.

The chart displays the percentage of customer losses and wins for three different games: Casino B2 roulette (blue line), B2 slots (orange line), and B3 slots (grey line). The x-axis represents the bet size, ranging from 'Greater than £5,000' to 'less than -£5,000'. The y-axis represents the percentage, ranging from 0% to 30%.

For all three games, the percentage of losses is generally higher than the percentage of wins, especially for smaller bets. The percentage of losses peaks at the 'Even (£0)' bet size for all three games, with B3 slots reaching the highest peak at approximately 25%.

At the extreme ends of the bet size spectrum (greater than £5,000 and less than -£5,000), the percentage of losses and wins for all three games converges towards 0%.

Bet Size	Casino B2 roulette (%)	B2 slots (%)	B3 slots (%)
Greater than £5,000	0	0	0
£1,000.01 to £5,000	0	0	0
£500.01 to £1000	0	0	0
£200.01 to £500	3	4	2
£100.01 to £200	4	5	3
£50.01 to £100	6	8	6
£30.01 to £50	6	8	6
£10.01 to £20	10	14	14
£5.01 to £10	10	10	14
£0.01 to £5	22	1	25
Even (£0)	0	0	0
-\$0.01 to -\$5	4	1	4
-\$5.01 to -\$10	3	2	4
-\$10.01 to -\$20	5	3	3
-\$20.01 to -\$30	2	2	2
-\$30.01 to -\$50	3	4	3
-\$50.01 to -\$100	3	8	3
-\$100.01 to -\$200	2	8	2
-\$200.01 to -\$500	1	8	1
-\$500.01 to -\$1000	0	1	0
-\$1,000.01 to -\$5,000	0	0	0
less than -£5,000	0	0	0

41 Source – *Gaming machine categories*

The gambling Product (continued)

Risks in relation to gaming machines include their location and accessibility, anonymous and untracked play, intensity of play (based on stake, speed of play and return to player) and the effectiveness of oversight and intervention by licensees. *Figure 17* illustrates the distribution of session outcomes across different category B2 content and B3 slots prior to the B2 stake cut.

Additional analysis undertaken on category B3 patterns of play since the B2 stake cut has identified a relatively strong correlation between sessions lasting for longer than 60 minutes and sessions ending in a sizeable loss. For example:

- ▶ **33%** of all sessions losing more than **£200** last longer than **60** minutes
- ▶ **69%** of all sessions losing more than **£500** last longer than **60** minutes
- ▶ **96%** of all sessions losing more than **£1,000** last longer than **60** minutes.

This analysis indicates that length of session (i.e. more than **60** minutes) is an important potential proxy for sizeable loss in the absence of real-time spend data.

Where industry has sought to overcome some of the challenges presented by gaming machine play, we have not seen robust evaluation of the impacts on players. For example, evaluation of developments designed to facilitate cashless payment solutions alongside greater player tracking and gambling management tools, or in-session markers of harm have to date been too fragmented.

GC action

- ▶ We will review what changes are required to the regulatory framework to ensure players of gaming machines are safe, treated fairly and informed about how the machines operate.
- ▶ We will implement the enhanced test house framework and ensure that the United Kingdom Accreditation Service assessments of Test Houses are robust and effective, providing confidence that gaming machines and online gaming systems meet accreditation standards.

The Provider of facilities for gambling

Key issues and risks

- ▶ **Ownership and governance of gambling providers:** Licensees and prospective licensees must work with the Commission in an open and cooperative way
- ▶ **Unlicensed gambling:** The risk posed to British consumers from illegal gambling operators is changing and requires an evolving approach by the Commission and partners.
- ▶ **Tackling suspicious gambling activity:** Keeping crime out of gambling means vigilance against money laundering and betting integrity risks among other criminal threats.

What do we know?

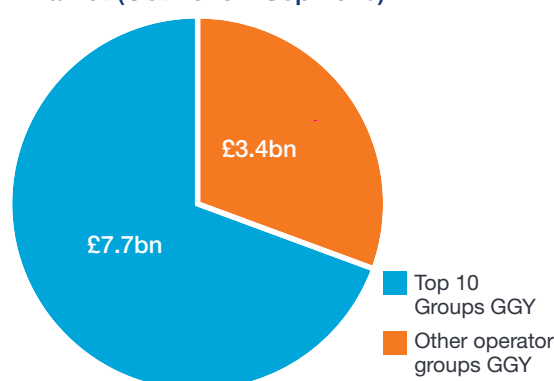
The British gambling market is diverse in terms of size and business models ranging from small-scale owner operated businesses through to the largest multi-national gambling companies in the world.

In total, we license **2,524** individual operators who hold **2,759** licences. **2,053** licences are to provide facilities for gambling in premises or on-course, and **706** to provide online facilities⁴². We also license **16,508** individuals: **5,145** personal management licence holders; and **11,363** personal functional licence holders.

The gambling market in Great Britain has consolidated in recent years. A number of very large gambling groups who hold multiple licences and operate a number of brands dominate industry GGY. The **10** largest Gambling Groups generate **69%** of total GGY (excluding the National Lottery).

Figure 18

2005 Act regulated gambling market (Oct 2018 – Sep 2019)



We continue to collect information to help inform our regulatory assessment of licensed providers. In 2019/20 our contact centre handled **35,856** enquiries and we received **301** calls to our confidential hotline.

⁴² Some operators hold licences for both premises based and online gambling.

The Provider of facilities for gambling (continued)

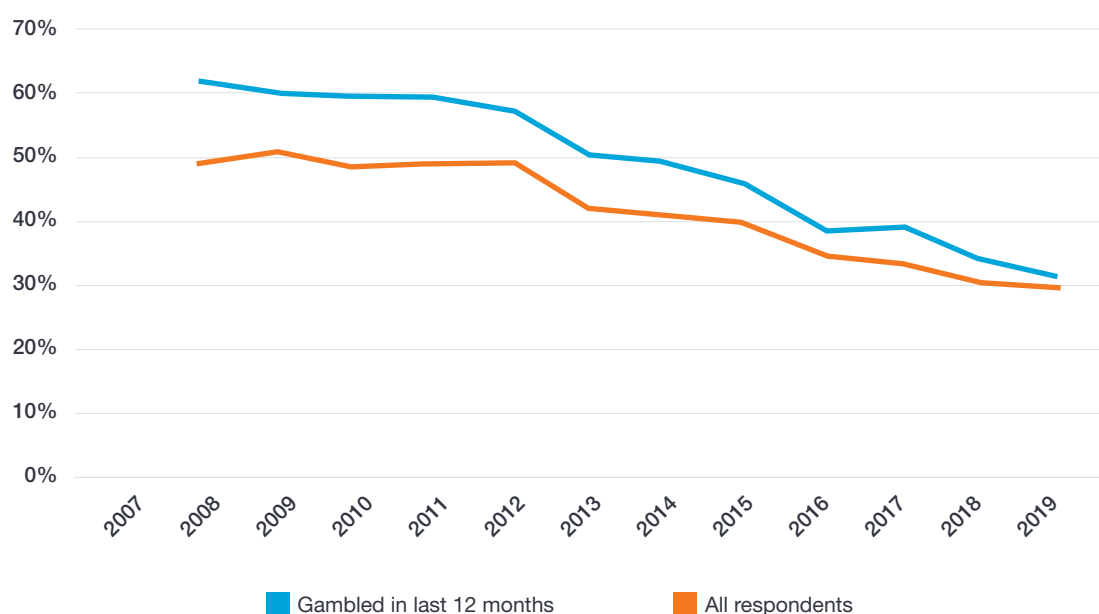
Public trust that gambling is fair

Public trust in gambling has fallen from **49%** in 2008 to **29%** in 2019.⁴³ Despite this concerning public perception, nearly half of British adults (**47%**) report having gambled in the last 4 weeks. Further research and consumer insight are required to understand the factors behind the public's perception of gambling and the drop-in trust that gambling

is provided fairly. For example, we need to understand how this drop compares with changes in trust in other sectors and institutions over the same period. Licensees should be actively supporting this by sharing data they hold based on consumer surveys on their products and services.

Figure 19

Agree that gambling is conducted fairly and can be trusted



⁴³ Source – [Gambling participation in 2019 behaviour awareness and attitudes](#) from Telephone survey

The Provider of facilities for gambling (continued)

Complaints

Complaints from consumers are an important tool for any industry and provide an indicator of how fair and open their products and services are from a consumer perspective. Complaints data helps licensees understand how well they are meeting the needs of their customers and whether there are areas that can be improved to both satisfy and retain existing customers, and to increase their appeal to new ones. Complaints data can also help us identify emerging problems in the sector. It is vital that consumers can raise complaints and have licensees address them. An effective complaints process can help to improve consumer confidence in an industry.

Our regulatory return data tells us that around **165,000** consumer complaints were recorded by licensees in 2019-20⁴⁴. Licensees have eight weeks to resolve complaints. After that time has elapsed, if the consumer is not satisfied with the outcome, they can refer the dispute to an alternative dispute resolution (ADR) provider. An ADR provider is an independent third party that will take another look at the dispute. We are responsible for approving ADR providers in the gambling sector. There are eight approved providers and licensees must choose one of these. Around **5%** of the complaints initially made to licensees will end up being referred to an ADR provider.

Consumers have access to comprehensive and free to use avenues redress for contractual

disputes. Where consumers think they have been treated unfairly on issues relating to social responsibility – for instance when consumers think an operator should have stopped them gambling when they were exhibiting signs of harm - they don't have the same support arrangements. In 2018-19, our Contact Centre received around **2,300** complaints of this nature from consumers (**26%** of the total number of consumer complaints we received). In 2019-20, this increased to around **2,700** complaints (**27%** of the total). ADR providers also report seeing increased numbers of these kinds of disputes.

ADR providers cannot deal with these kinds of complaints. We are not currently resourced or equipped to adjudicate individual complaints and, where appropriate, direct licensees to provide redress.

GC action

- We will improve our data systems and capacity to ensure consumer issues are identified and acted upon quickly.

⁴⁴ These are complaints that entered a licensee's complaints process and not those resolved quickly via online chat, for example.

The Provider of facilities for gambling (continued)

What are the issues?

Ownership and governance

Gambling provision is becoming global in nature with licensees providing services in several international markets. This means the risks we face including money-laundering and betting integrity are global in nature and require global measures in response. International co-operation is becoming increasingly important to understand trends and address the risks posed by international digital platforms and providers.

Over the past few years there has been significant consolidation in the gambling market, with high-profile mergers, meaning regulation must adapt to manage the risk posed by larger entities. This increased market consolidation results in large, well-resourced organisations that are well placed to develop creative regulatory solutions but conversely are better equipped to pose regulatory challenges.

A growing number of licensees providing facilities into Britain have complex international ownership structures. To ensure only suitable entities and individuals are licensed requires additional investment in forensic accounting skills, to assess the increasingly complex financial arrangements in ownership and funding structures and specialised legal opinion. While these skills are primarily relevant to licence applications, changes of corporate control and variations, they also form an increasingly important component of our compliance and enforcement work.

Any entity or individual wishing to operate in the British market must be prepared to be transparent and co-operative with us. Our licensing casework in relation to changes of corporate control has exposed a failure on the part of some applicants to provide complete information resulting in drawn out and expensive licensing processes.

GC action

- We will continue to apply stringent processes to ensure applicants are suitable to hold a licence, undertake a comprehensive programme of compliance work to test licensees remain suitable to hold a licence and take swift enforcement action in cases of non-compliance.
- We will publish the response to our consultation on our corporate governance including our approach to regulatory panels.

Change of corporate control

A related risk is the failure of licensees or entities to make the legally required notifications in relation to changes of corporate control. This poses real challenges because we have much less scope in decisions relating to changes of corporate control than we do on an application for a licence. As a result, any concerns about the new controller or people associated with the new controller can result in us revoking an operating licence.

The Provider of facilities for gambling (continued)

Case Study

After a hearing before a Regulatory Panel, the Commission decided to revoke the operating licence of Maxent Ltd under section 102(4)(b) of the Gambling Act 2005. This was because the Commission was not satisfied that it would have granted the operating licence to the licensee had the new controller been a controller of the company when the application for the operating licence was made. In particular, the Commission was not satisfied as to the source of funds used to acquire and support the Licensee at the time of, and following, the change of corporate control. The Commission also identified concerns relating to the new controller's suitability, in that it appeared that they had provided conflicting information and had failed to be full and frank in his dealings with the Commission.

regulatory outcomes and intervene to ensure compliance with the licence conditions.

Individuals occupying senior positions, including Board members whether they hold PMLs or not should be ensuring they:

- ▶ uphold the licensing objectives and ensure compliance of operators with the Licence conditions and codes of practice (LCCP)
- ▶ organise and control their affairs responsibly and effectively
- ▶ have adequate controls to keep gambling fair and safe
- ▶ conduct their business with integrity
- ▶ act with due care, skill and diligence
- ▶ have due regard to the information needs of consumers and communicate with them in a way that is clear, not misleading, and allows them to make an informed judgment about whether to gamble
- ▶ manage conflicts of interest fairly
- ▶ disclose to the Commission anything which the Commission would reasonably expect to know
- ▶ work with the Commission in an open and co-operative way
- ▶ comply with both the letter and spirit of their licence, the licence of their operator, and associated Commission regulations.

Licensees can expect us to continue to act against accountable individuals to ensure standards are raised to the levels required, whether in relation to the business or individual capability.

We are continuing to focus on the role played by Personal Management Licence holders (PML) when undertaking compliance and enforcement investigations.

Personal Management Licence Holders (PMLs)

Businesses do not make decisions that aggravate or mitigate risk to the licensing objectives – people do. Within gambling companies, the culture, strategic direction, and oversight start with the ownership and Board of Directors. Several serious regulatory failings in recent years have exposed governance controls as inadequate and commitments to drive a culture of safer gambling inconsistent with operational delivery. We expect Board members and senior Executives to ask questions, scrutinise

The Provider of facilities for gambling (continued)

Personal Management Licence Holders (PMLs) (continued)

PMLs are required to be held by anyone with responsibilities for:

- ▶ overall strategy and delivery of gambling operations
- ▶ financial planning, control and budgeting
- ▶ marketing and commercial development
- ▶ regulatory compliance
- ▶ gambling-related IT provision and security
- ▶ management of licensed activity for a particular area in Great Britain where you have five or more sets of premises for which you hold a premises licence
- ▶ management of a single set of bingo and/or casino licensed premises.

These roles can be challenging especially where there has been insufficient progress by Boards and Executive teams to drive cultural change in recognition of the raising of minimum standards in the British market. Unfortunately, we continue to identify failings and have had to sanction individuals fulfilling these roles. Common failings have emerged from:

- ▶ Failures to assess if decisions being made at Executive level are being implemented within businesses. Often linked to the risk framework of the business not being robust and challenging questions not being asked.
- ▶ Overly complicated lines of decision making and accountability, with PML holders unclear who was responsible for issues, particularly when passed from premises to headquarters and back.

- ▶ Lack of technical knowledge and oversight of areas they have specific responsibility for, especially in respect of AML.
- ▶ Prioritising commercial outcomes over regulatory responsibility.

In the past year we have commenced section **116** reviews on **49** PML holders. Outcomes have included the requirement for training, additional licence conditions, warnings and licence revocations.

All the below case studies resulted in regulatory action against individual PML holders.

Case Study

A Director of Gaming at a land-based casino who played a role in failing to ensure a casino complied with the requirement to complete a risk assessment, had appropriate policies, procedures and controls to prevent money laundering and terrorist financing and comply with social responsibility code of practice requirements.

Case Study

A Money Laundering Reporting Officer (MLRO) at a land-based casino who failed to ensure a casino had put into effect adequate anti-money laundering controls (including a risk assessment) and the requirements of social responsibility Code 3.4.1.

The Provider of facilities for gambling (continued)

Personal Management Licence Holders (PMLs) (continued)

Case Study

An MLRO of an online casino who failed to ensure the licensee had in place an adequate risk assessment with effective underpinning policies, procedures and controls. The risk assessment and policies and procedures should have been implemented effectively and kept under review to mitigate the risk of money laundering and terrorist financing.

Case Study

A PML holder responsible for overall management and direction of an online operator who failed to adhere to Licence condition 1.2.1(1) by ensuring that the person occupying a key position held a personal management licence (PML). They also failed to put into effect adequate anti-money laundering controls (including a risk assessment) and notify the Commission of a key event – that a person holding a key position had ceased to occupy that position.

Case Study

A PML holder responsible for regulatory compliance at an online operator who failed to ensure the licensee had put into effect adequate anti-money laundering controls (including a risk assessment).

Our assessment of a Licensee's compliance

Licensees must treat customers fairly and communicate with them in a clear way that allows them to make a properly informed judgment about whether to gamble and if so, how much. Ensuring safer gambling, tackling crime, and guarding against money laundering also mean we have a clear focus on know your customer and due diligence when undertaking compliance assessments. In addition to looking at the customer journey our assessments encompass consideration of matters such as marketing and advertising and we review and assess a licensee's offer including websites and apps.

We expect a compliance culture to permeate throughout the licensee's business from Board down. And that licensees work with us in an open and co-operative way, complying with the letter and spirit of the regulatory framework.

GC action

- We will publish clear metrics to measure the effectiveness of regulatory interventions

The Provider of facilities for gambling (continued)

Unlicensed gambling

The risk of unlicensed gambling has increased due to the change of consumer behaviour shifting from land-based play to online. It is our statutory duty to keep consumers in Great Britain safe, therefore, we monitor the market and disrupt those that are unlicensed.

When consumers access illegal gambling sites, they expose themselves to risks and are not afforded the protections required in the regulated sector. We are particularly focused on identifying and disrupting those illegal websites which are targeting young and vulnerable gamblers to deliberately circumvent our customer protection standards. During this period, the emergence of unlicensed websites targeting consumers who have excluded using the Gamstop system has been a major concern.

We assess intelligence gathered from multiple sources and work closely with partner agencies to prevent access to illegal websites by consumers in Great Britain. If an intelligence-led initial approach is unsuccessful, cases are referred to the enforcement team for investigation and further disruption options. This approach ensures that our focus is on those websites presenting the greatest consumer threat. Licensees have highlighted the risks posed by illegal operators who undermine consumer protection efforts and provide an unfair source of competition. Some licensees argue that increased regulation in the licensed market risks diverting consumers to the black market.

Our enforcement team has tackled **59** instances of remote unlicensed operators this year and engaged with **15** international regulators. We continue to successfully disrupt illegal online gambling where payment providers or advertising platforms can be identified. However, the risk remains that some unlicensed website operators can adapt to use other payment providers once they are aware payments are being blocked. There has been and continues to be fast and extensive innovation in the payment sector, which requires additional resource and systems to detect and counteract.

This risk is common across regulated markets, a total of **16** EU member states have measures in place requiring payment processors to block transactions with unlicensed gambling operators. However, most regulators have reported mixed success in combatting gambling payment processing, with challenges when operators use accounts located outside the countries in which their gamblers live.

An effective approach to payment blocking is an important regulatory tool but needs to be complemented by other means of preventing illegal gambling websites. We will continue to review our resources and powers to ensure we can continue to tackle unlicensed gambling websites targeting British consumers.

In the last 12 months we have conducted compliance and enforcement work focused on the risk that some unlicensed operators seek to use 'white label' agreements to

The Provider of facilities for gambling (continued)

circumvent licensing requirements. Our work has revealed some licensees were failing to exert appropriate control over the activities that their licence authorised. This included failure to properly scrutinise the ownership and business models of partners, address money laundering and politically exposed persons (PEP) risks and general poor oversight. We have produced revised guidance to remind operators of their obligations.

An increasingly prominent risk of exposure to unlicensed gambling for the public has been the growth in commercial social media lotteries. From May 2019 to May 2020, **245** illegal lotteries were referred by us to Facebook for closure.

Social media lotteries are a growing issue due to their increasing presence on Facebook and other social media platforms. Historically such lotteries were low-level events, and intelligence identified many were being run from home by a small group of people and for low value prizes. However recent intelligence suggests larger, more organised operations may be in effect, generating significant profit.

GC action

- ▶ We will continue to tackle illegal gambling effectively by increasing
 - ▶ understanding of the scale of the problem
 - ▶ capacity such as accredited online investigators
 - ▶ expanding the availability of necessary software tools
 - ▶ exploring greater use of different disruption techniques.

PROVIDER



The Provider of facilities for gambling (continued)

Tackling suspicious gambling activity

The UK regulatory framework is considered a global leader in working with partner agencies to prevent economic crime.

The mutual evaluation report of the Financial Action Task Force praised the Gambling Commission's understanding of money laundering and terrorist financing risks.

The report commended the Commission's risk-based approach to our supervisory role.⁴⁵

As the operators we license and regulate are increasingly operating in a global market, we have spent time sharing intelligence with international regulators to make gambling safer and crime free.

All gambling operators have a responsibility to keep economic crime out of gambling, but non-remote and remote casinos have additional responsibilities under the Money Laundering Regulations 2007. Areas where operators fail often include:

- ▶ Insufficient depth of knowledge demonstrated by Personal Management Licence holders which has led to concerns as to competence and integrity
- ▶ Operators adopting a 'one size fits all' approach to their Risk Assessment when it should be tailored to the specific Money Laundering and Terrorist Financing (MLTF) risks relevant to their business
- ▶ Failure to adequately demonstrate their Risk Assessment has due regard to the Commission's Risk Assessment and that they are keeping up to date with fluctuating standards in alternative jurisdictions whilst rigorously meeting GB legislation and standards

- ▶ Where the over-arching Risk Assessment is deficient, this leads to ineffective policies, procedures and controls
- ▶ Licensees and PML holders failing to learn lessons from published compliance and enforcement activity and applying controls in their business
- ▶ Failure to provide regular, quality training to staff including Money Laundering Reporting Officers and Nominated Officers
- ▶ Demonstrating a static and ineffective approach to customer risk profiling and enhanced customer due diligence when it should be dynamic and capable of identifying both current and developing risks.

GC action

- ▶ We will continue to apply international best practice through the implementation of the Fifth Money Laundering Regulation and by updating our Money Laundering risk assessment.

⁴⁵ The Financial Action Task Force – [Fourth Round Mutual Evaluation Report](#)

The Provider of facilities for gambling (continued)

Integrity

Risks in respect of betting integrity remain a key area of focus. The risk to Britain has international dimensions because of the global nature of sport, betting and communications. Event manipulation can involve serious organised crime networks operating at national and international level using sophisticated technologies and organisational structures.

Event manipulation is also on occasions local in nature and opportunistic. There is a need to identify and manage both. Whilst these instances may involve relatively small sums of money such actions still have the potential to undermine the reputation of the sport, sports betting and the wider reputation of athletes.

To mitigate these risks, it is essential that the multi-agency approach developed by government continues to address a framework of actions to:

- a. Prevent sporting events and licensed sporting betting markets from being corrupted.
- b. Deterring the manipulation of sports events to gain an unfair advantage on betting markets.

These actions are built upon information sharing and collaborations between sports, licensed betting operators and agencies in Britain and with overseas jurisdictions and international bodies.

During 2019/20 our Sports Betting Integrity Unit which supports the multi-agency approach, received **635** reports which included issues such as suspicious betting activity, sports rules breaches, misuse of inside information, Gambling Act offences and other related criminality.

Football and tennis continue to be the source for most of these calls and reports.

GC action

- We will continue to support the Sport and Sports Betting Integrity Action Plan

Measuring the effectiveness of gambling regulation

The Gambling Commission wants to see a fair and safe gambling market where all consumers and the interests of the wider public are protected.

We want the capability to measure our progress towards this goal.

- ▶ Using our regulatory and criminal powers
- ▶ From the way the gambling industry acts towards consumers

To do this we need to better understand the needs of consumers and the wider public and develop a suite of metrics that can show the impact that our work is having. By making more data available we hope to improve the available evidence base to consumers and proactively influence the industry to improve consumer outcomes.

We collect or have access to a large variety of gambling-related data. But we want to make sure that the metrics we use are those that will best demonstrate an impact and are not simply those for which we have data available. Not all the things that we want to measure currently are captured in a form that we can use, so this work will continue to develop. We will work with partners to establish new sources of data and information that will best demonstrate the difference we are making. We will aim to keep our metrics easy to understand and effective, and as a result, we may not include all the potentials listed in our final suite of measures.

Examples of some of the areas where we are exploring establishing metrics include:

To ensure gambling is kept free from crime and from being associated with crime

Aim: British consumers are protected from harm related to illegal gambling

- ▶ Data on prevalence of and access to unlicensed/illegal operators by British consumers
- ▶ Data on crimes committed to fund gambling
- ▶ Data on instances or reports of suspected money laundering
- ▶ Data on instances or reports of Sports Betting Integrity issues

To ensure gambling is conducted in a fair and open way

Aim: An increase in public trust that gambling is fair and transparent

- ▶ Data on public trust that gambling is fair and transparent
- ▶ Complaints data about the conduct of licensees and the conduct of the Gambling Commission
- ▶ Data on the proportion of consumers that wanted to make a complaint, but were put off or unable to do so

Measuring the effectiveness of gambling regulation (continued)

- ▶ Data or information from our compliance and enforcement work that demonstrates the extent to which licensees are compliant with regulatory and legal requirements
- ▶ Data from the ASA to monitor complaints about gambling advertising

To protect children and other vulnerable people from being harmed or exploited by gambling

Aim: A reduction in gambling related harm

- ▶ Data on underage gambling participation on age-restricted products
- ▶ Data to assess children's exposure to gambling advertising
- ▶ Data on problem and at-risk gambling rates
- ▶ Data on the prevalence and severity of specific gambling related harms in Great Britain – financial, health, relationship.
- ▶ Data on licensees' actions around KYC checks and affordability
- ▶ Data on patterns of play

These areas will need to be considered and developed further to ensure that the measures are sufficiently robust.

Ultimately, we want consumers and the wider public to be better informed about how gambling regulation is shaping the products, services and safeguards they receive from licensees. We will continue to explore options for how regulatory data can be made available to proactively influence the conduct of licensees.



Covid-19 and its impact on gambling consumers

Summary points

- ▶ The period has not seen a significant number of consumers take up gambling and overall the number of consumers gambling dropped during the initial lockdown phase.
- ▶ Some existing gamblers tried new products, including those products which are considered higher risk. The return of top-class sport saw a release of pent-up demand with betting activity exceeding pre-Covid-19 levels.
- ▶ Concerns remain due to risks posed by potential financial and mental health impacts, stemming from a new phase of the coronavirus period.

Tackling Impact of Covid-19

Since March 2020, the Covid-19 pandemic has affected everyone across Great Britain and the ongoing situation has led to an uncertain and unsettling time for the gambling industry and the thousands of people it employs. Most importantly we were concerned that the pandemic would have an impact on consumers in terms of the risks posed to them.

Since lockdown started, we have commissioned fresh consumer research and required additional information from the largest operators to help inform our understanding and allow us to take targeted action to keep consumers safe. This assessment has been prepared in the midst of pandemic and therefore the impact on gambling remains dynamic.

GC Action

- ▶ We will continue to collect and publish data on the impacts on consumers and any associated risks of Covid-19

The period has split into three distinct phases so far:

- ▶ **Phase 1:** the total lockdown period from the end of March to the middle of June, where – apart from the National Lottery – all retail gambling stopped and online real event betting was hampered by the lack of top-class sporting events to bet on.
- ▶ **Phase 2:** From the middle of June where lockdown started to ease, seeing top-class sport return and retail beginning to re-open with restrictions.
- ▶ **Current phase:** From October, where top-class sport betting opportunity remains but retail access and football may be more sporadic due to localised or national lockdowns, against a backdrop of increasing financial uncertainty for consumers.

Covid-19 and its impact on gambling consumers (continued)

What we learnt in phase one

Retail premises closed on 20 March and online the overall number of active players decreased by **5%** between March and April.

0.2% of adults surveyed stated they had started gambling for the first time during the previous four weeks, compared with **2%** who had stopped gambling altogether⁴⁶.

Some existing gamblers participated in new products. YouGov research showed that around **three in ten (31%)** past-four-week gamblers said that they had tried one or more gambling activities for the first-time during lockdown.⁴⁷ This figure increased to almost half (**48%**) of engaged gamblers participating in **three** or more activities. This was relevant

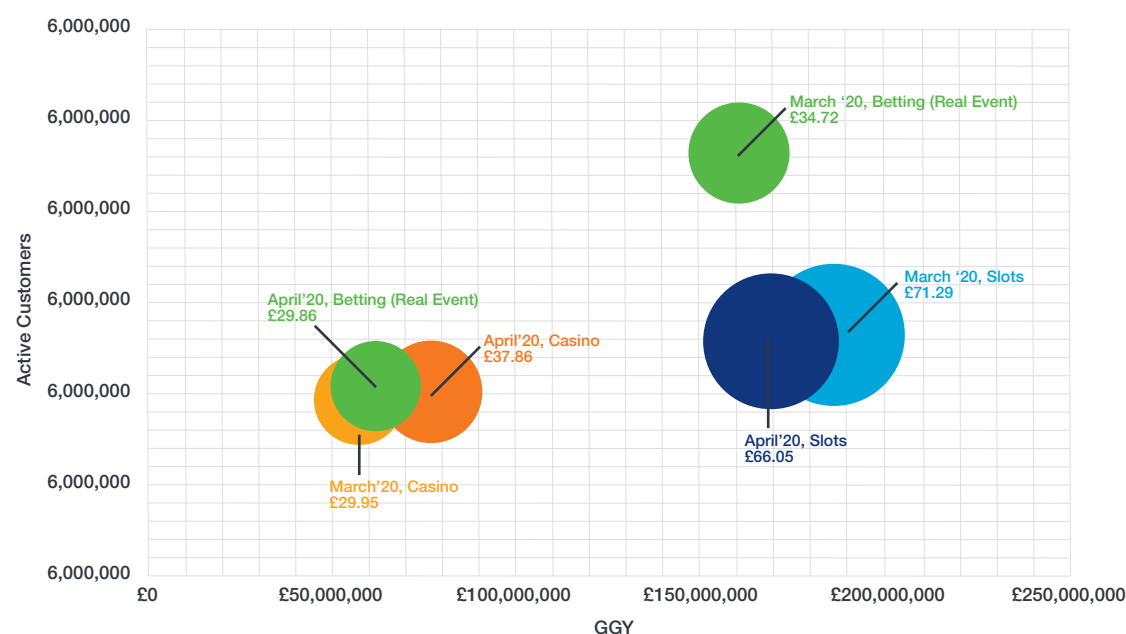
to products such as online slots which are not dependent on the outcome of real events and importantly have features which can be associated with higher intensity of play and therefore can pose heightened risk to players.

For example, the number of bets placed on slot games saw a **18%** increase between March and May 2020, with the number of casino bets increasing by **22%** during the same period. GGY for slots during May was just below the peak figure for March but was still comfortably bigger than the figure for April. The number of bets on slots games per customer increased by **27%** between March and May.

Figure 20

Covid Data Analysis (March 2020 and April 2020)

Bubble size show average GGY per customer



⁴⁶ YouGov Covid-19 tracker from 16-17 April

⁴⁷ In the first wave (16-17 April) the last four weeks could include a short period pre-lockdown, but we do not think this point impacts the finding significantly. For clarity this also includes NL products. By the engaged here we mean those who have participated in **three** or more gambling activities in the last four weeks (n=248).

Covid-19 and its impact on gambling consumers (continued)

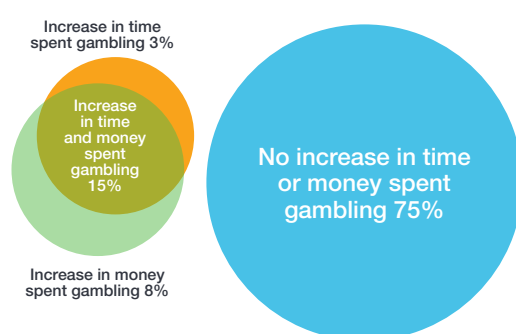
Although most did not, certain groups were more likely to increase their gambling during lockdown:

- ▶ Younger people
- ▶ Already engaged gamblers (3+ products)

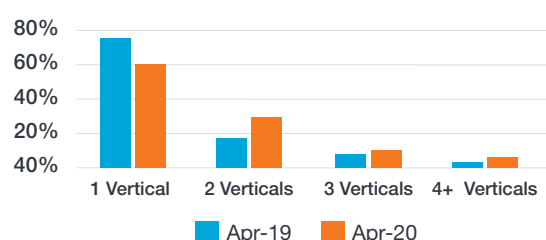
- ▶ With a high crossover in this group between additional time and money spent

Engagement was noticeably higher in April 2020 than the previous year. Particularly high engagement can correlate with higher risk.

Figure 21



Active customers by number of verticals



Our assessment of the risks and issues during phase 1

Our evidence showed that some gamblers had increased their time and money spent gambling during lockdown, and that some of these were playing more intensive products such as online slots or casino. Whilst this included an increase in the volume of activity on certain products like slots and casino, we also saw an increase in the number of slots sessions where play lasted over an hour (up from **1.9m** sessions in March to **2.3m** sessions in May). As a result of these factors we instructed operators to review their framework of triggers to protect customers who may be at risk of experiencing harm.

What action did we take?

In May we issued [new guidance](#) for online operators to help reduce the risk of harm. The guidance instructed operators to:

- ▶ Urgently review their thresholds⁴⁸ and triggers to reflect the change in circumstances, adopting a precautionary approach
- ▶ Keep under review duration of play for customers as an indicator of harm and keep this under review to identify changes which warrant intervention
- ▶ Conduct effective affordability checks during the life of the customer relationship but particularly during this crisis
- ▶ Prevent reverse withdrawals which have been linked to problem gambling behaviours and harm
- ▶ Restrict bonus offers to those displaying indicators of harm

⁴⁸ Although there was a slight decrease in the % of total sessions which lasted over an hour – **9.2%** of sessions lasted over an hour in March to **8.9%** in May

Covid-19 and its impact on gambling consumers (continued)

What did we see in phase 2?

Phase 2 has been characterised by levels of spend higher than pre-lockdown levels, driven by the pent-up demand for sports betting on popular events. Online real event betting GGY rose by **115%** between May and June, with the number of active players up by **81%**. This was driven by the return of top-flight football and leveraged by a combination of betting-friendly characteristics (staggered KO times, TV coverage including free-to-air coverage and a high volume of games). GGY has still not returned to pre-lockdown levels (**10%** over).

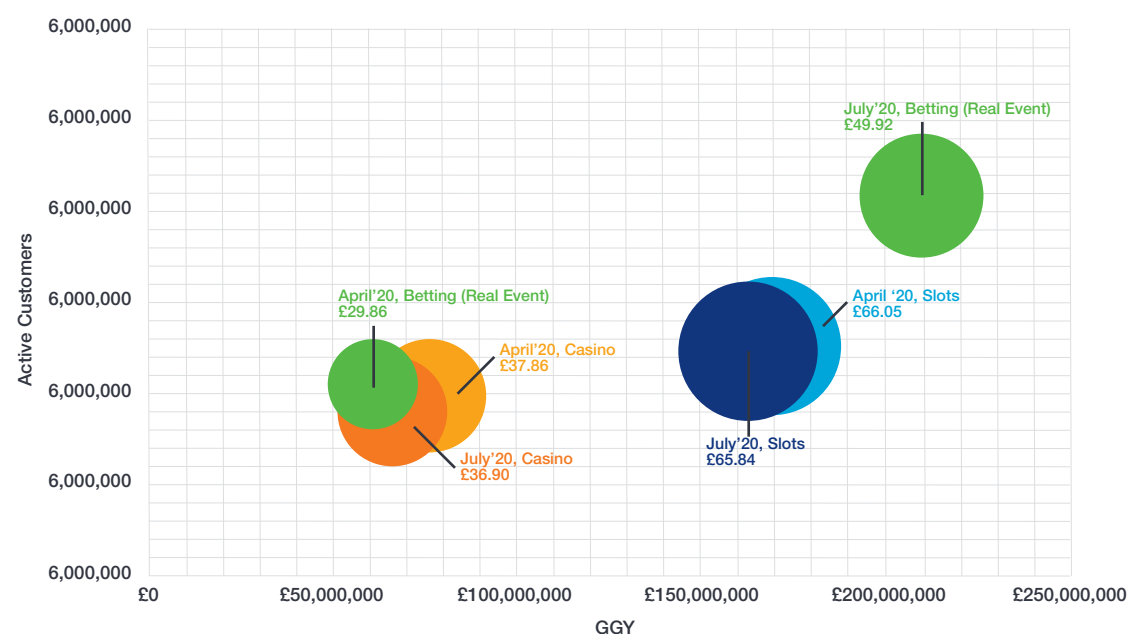
Since we issued additional guidance to operators, operator data also shows that the number of online slots sessions lasting longer than an hour decreased in July (from **2,327,818** in May to **2,181,919**).

Average session length has also decreased by **1** minute in this time. Between May and July, the number of customer interactions undertaken rose by **14%** (from **760,480** to **866,053**). Within that number the majority were automated in nature.

Figure 22

Covid Data Analysis (April 2020 and July 2020)

Bubble size show average GGY per customer



Recent consumer research has allowed us to measure the impact of the Covid-19 period on both those who gambled before lockdown⁴⁹ and those who did not, including channel and product shifts and whether these have been

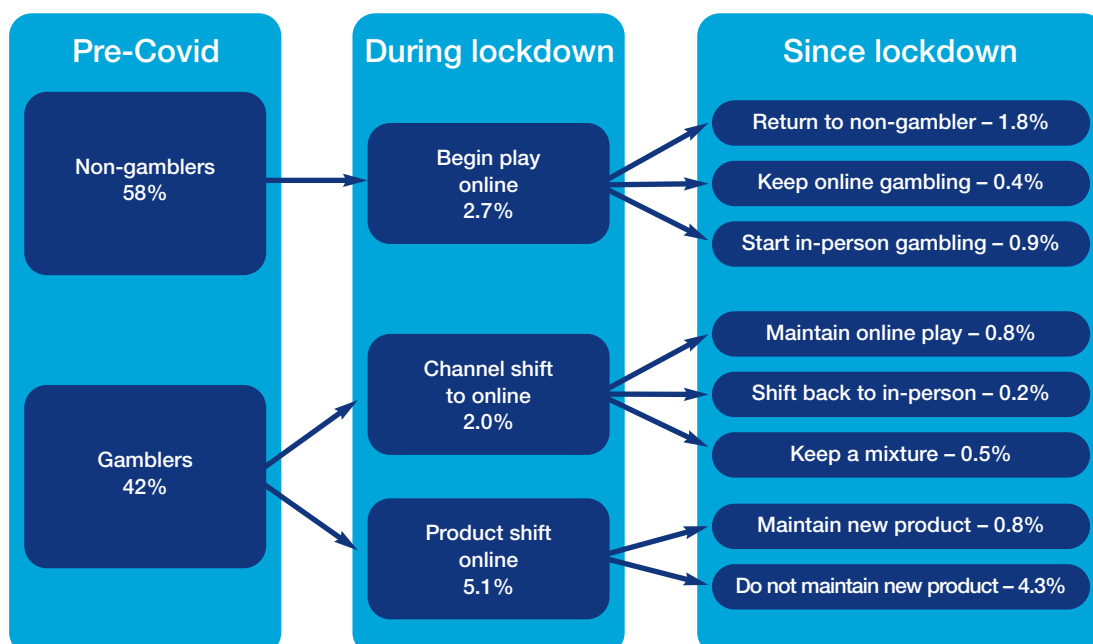
maintained. *Figure 22* summarises behaviour change during and post lockdown and provides population level percentages for where behaviour has changed.

⁴⁹ This period was from January 2020 to the start of lockdown.

Covid-19 and its impact on gambling consumers (continued)

Figure 23

% of population falling into each category



Looking back at the impact of lockdown, the survey shows that at a population level, relatively few people changed their gambling participation during lockdown, although there were elements of shifting to online products in the absence of land-based opportunities. Some of these new behaviours are currently being maintained post-lockdown.

Current phase and looking ahead

From October, we have entered a new phase where top-class sport remains available as a popular source of betting opportunities with a continuance of increased access to view events live on TV which would have otherwise been unavailable pre-Covid-19. However, local or national lockdowns are now resulting in restrictions on gambling premises and venues where sports bettors may congregate to watch live sport and gamble as part of that experience. These restrictions on the supply of certain

gambling activities are happening against a backdrop of increasing financial uncertainty for consumers which could impact on consumer demand for gambling through reduced disposable incomes.

As we publish this report all of the nations in Great Britain are dealing with further lock down measures. The latest reports, including in-depth data analysis, are available on our website. We will continue to track Covid-19 related impact by:

- ▶ Collecting and publishing the data being gathered from consumers, industry and the public
- ▶ Engaging with industry stakeholders and Government
- ▶ Assessing the impact of the strengthened guidance issued to operators
- ▶ Where evidence identifies additional risks faced by consumers, taking further action to protect consumers.

Annex 1: Making gambling safer – a timeline of action

We focus our efforts on the areas we judge would have the biggest and most positive impact on consumers and the licensing objectives.

This is a brief timeline of the actions we have taken and notable successes since April 2019:

April 2019

- ▶ We published the [National Strategy to Reduce Gambling Harms](#) – bringing together health bodies, charities, regulators and businesses to tackle gambling harms.
- ▶ We [clamped down on operators' attempts to circumvent the FOBT stake cut](#).
- ▶ We warned operators about the [risks of novelty markets](#).

May 2019

- ▶ Following consultation, we brought in [tougher age and identity verification rules](#) to further protect children and vulnerable people from harm.
- ▶ We took action against, [four gambling online businesses](#) (InTouch Games Limited, Betit Operations Limited, MT Secure Trade and BestBet) as part of our ongoing work to raise standards in the online casino sector.
- ▶ We published a [new framework for measuring gambling-related harms among children and young people](#).
- ▶ We [hosted a co-creation workshop](#) on making gambling products safer.

June 2019

- ▶ We launched the [new National Strategy to Reduce Gambling Harms in Wales and Scotland](#).
- ▶ We [revoked Maxent Ltd's licence](#).
- ▶ We concluded our investigations into [Gamesys \(Gibraltar\) Limited](#) and [Platinum Gaming Ltd](#).

July 2019

- ▶ We announced [stricter requirements on operators](#) to interact with customers at risk of harm, higher standards for alternative resolution providers and new rules to ensure that funds contributed by gambling businesses for research, prevention and treatment are effectively targeted at delivering the National Strategy.
- ▶ Following a regulatory investigation [Ladbrokes Coral Group](#) paid **£5.9m** for anti-money laundering and social responsibility failings.
- ▶ [Seven bookmakers had their licence to offer gambling reviewed](#) because they allowed a 16-year-old to place a bet.

Annex 1: Making gambling safer – a timeline of action (continued)

September 2019

- ▶ We suspended online operator [EveryMatrix](#) and launched an investigation following compliance activity which included examining its customer interaction framework.
- ▶ We concluded an investigation into [Silverbond Enterprises](#) which resulted in additional conditions being added to its licence and a financial penalty of **£1.8m**.

October 2019

- ▶ We brought senior leaders in the industry together to set our [three challenges to the industry](#): to make online games safer; to change the way it interacts with VIP customers; and to make better use of technology to minimise the risk of children, young people and vulnerable adults seeing gambling adverts.
- ▶ We published the outcome of our investigation into [Petfre](#) for money laundering failures resulting in a **£322,000** penalty package.
- ▶ We ran a [collaborative workshop](#) which brought marketing professionals together to discuss the challenges and opportunities in marketing and safer gambling.

January 2020

- ▶ We announced [that gambling on credit cards was to be banned](#).
- ▶ We made it mandatory for online [operators to participate in the multi-operator self-exclusion scheme GAMSTOP](#).
- ▶ We announced the formation of [industry working groups to raise standards and reduce gambling harm](#) in the areas of high value customer incentives, advertising online and responsible product design.
- ▶ We [released guidance](#) to help consumers limit gambling-related content on Twitter.

February 2020

- ▶ More than **100** gambling and technology specialists attended our event aimed at [creating a solution to help reduce gambling harm among customers](#) who have multiple online accounts.
- ▶ We began investigations into, and suspended the licences of, online operators [Triplebet Limited](#) and [Addison Global Limited](#).
- ▶ We concluded an investigation into [online operator Mr Green](#).

Annex 1: Making gambling safer – a timeline of action (continued)

March 2020

- ▶ We published the outcome of our investigation into [Betway](#) which involved a package of improvement measures and a substantial **£11.6m** payment.
- ▶ We began investigations into, and suspended the licences of, online operators [Multi Media Entertainments Limited](#) and [Stakers Limited](#).
- ▶ We reminded operators of their [responsibilities to ensure consumers are safe](#) from gambling harm during the Covid-19 lockdown – a warning that was later backed up by [new guidance instructing affordability checks, prevention of reverse withdrawals and restrictions on bonus offers](#).

April 2020

- ▶ We began investigations into, and suspended the licences of, online operators Dynamic and Sportito for [failure to fully integrate the self-exclusion scheme GAMSTOP](#).
- ▶ Our [investigation into Caesars Entertainment](#) led to the departure of a number of senior managers, a package of improvement measures and payment of a penalty of **£13m**.
- ▶ Our [collaborative work with the industry](#) led to restrictions on VIP schemes, a reduction on intensity of online play, and a joint effort to shield children and young people from online gambling advertising.
- ▶ The [credit card ban](#) came into effect.
- ▶ We directed **£9m** to [boost resilience of gambling harm treatment services](#) during Covid-19.

May 2020

- ▶ We instructed operators to follow [tighter measures to protect consumers](#) during lockdown because of new evidence that showed some gamblers maybe at greater risk of harm.
- ▶ We also announced how our investigation into systemic failures in player protection at [PT Entertainment Services](#) led to the company's closure.
- ▶ We published new data which showed [no uplift in complaints about illegal gambling](#).
- ▶ We published the implementation update on the first year of the National Strategy to Reduce Gambling Harms.

Annex 1: Making gambling safer – a timeline of action (continued)

June 2020

- ▶ We opened a consultation into proposed changes to the rules operators must abide by when transacting with [high value customers](#).
- ▶ We announced that we had established an interim [Experts by Experience group](#) who will provide advice, evidence and recommendations to help inform decision making and raise standards.

July 2020

- ▶ We commenced a [consultation on plans to make online slots safer](#).
- ▶ We suspended the [operating licence of Genesis Global Limited](#) while we carry out a licence review.

August 2020

- ▶ HM Treasury's Anti-money laundering (AML) and counter-terrorist financing (CTF): supervision report, 2018/ 2019, praises the Commission for high standards of AML and CTF supervision.

September 2020

- ▶ We announced [strict new rules](#) operators must abide by when transacting with high value customers.

October 2020

- ▶ We announced the outcome of [three investigations](#) into online operators for social responsibility and money laundering failures

November 2020

- ▶ We opened a [consultation into customer interaction, affordability and vulnerability](#).

GAMBLING COMMISSION

Victoria Square House, Victoria Square, Birmingham B2 4BP
Tel: 0121 230 6666 Fax: 0121 230 6720

www.gamblingcommission.gov.uk