

Review of online gambling

Contents

1	Executive summary	3
2	Online gambling market overview	9
3	Data and research	16
4	Overview of key areas of activity	34
5	Policy recommendations	40

Appendix A

Appendix B

Appendix C

1 Executive summary

1.1. Our Corporate Business Plan included a commitment to:

‘Examine data, market trends (both current and future), consumer participation and action by operators on social responsibility and crime in the remote market.’

We have completed the review, and this document sets out our findings. This summary of the findings is replicated in *Review of gaming machines and social responsibility – formal advice*, which contains further information on our work.

1.2. The review draws on our experience from regulating the whole British online gambling market since 1 November 2014, and includes an assessment of the size and make-up of the market. It has led us to identify a number of key areas where we plan to consult on changes to our regulatory requirements. The proposals identified in this document will enhance the protections afforded to online gambling consumers.

Current market status

1.3. Following the implementation of the Gambling (Licensing and Advertising) Act 2014 (2014 Act), Great Britain now has the largest regulated online gambling market in the world. It generates £4.7bn gross gambling yield (GGY) per annum and is expected to continue to grow strongly, albeit not at the high rates that were seen during the sector’s early growth phase.

1.4. This growth is being driven by rapidly changing consumer behaviour and supported by technological advancements which are affecting society as a whole. The development of smartphones and tablets, allied with extensive broadband penetration, high speed mobile internet and availability of WiFi means people spend more time online for both business and leisure activity.

1.5. The gambling industry, like other leisure sectors, was quick to see the opportunities offered by these developments as evidenced by the launch of ever more sophisticated and diverse products to meet demand. For example, consumers can bet during live events (i.e. bet ‘in-play’) or ‘cash-out’ their bet before the end of the match.¹ This increase in consumer choice has been supported by faster internet connectivity speeds, allowing operators to stream live sporting events from around the world, which consumers can then bet on. Consumers today have access to a wider range of online markets and games than ever before with few limits on when, where or how they choose to gamble.

1.6. Consumers in general are increasingly accustomed to transacting online and this is also the case for gambling. Our participation survey data shows that, in the year to December 2017, 18.3% of respondents had gambled online in the past four weeks. This is up from 15.5% in the year to December 2014. The number of respondents who bet online has risen from 3.7% in the year to December 2014 to 5.6% in the year to December 2017. Our industry statistics show that there were almost 23 million active accounts in the year to 31 March 2017, which equates to approximately seven million individual consumers.² We estimate that nearly 40% of total remote GGY is generated through operators’ mobile channels and this is forecast to exceed 50% by 2020. For some market leaders this figure is thought to be as high as 75%.

1.7. It is highly likely that the online gambling industry will continue to grow. It appears set to increase from the current 34% to 50% of the total British market by GGY over the next few years. In addition to consumer behaviour and technological factors, this growth will be driven by attracting new groups of consumers and by increased product personalisation.

¹ The “Cash Out” feature enables consumers to withdraw their winnings early if their bet is coming in, or to retrieve some of their stake back if the bet looks to be unsuccessful. Cash Out offers are made in real time, based on live market prices.

² On average gamblers had 4 online accounts with gambling companies in 2017, a slight increase from the 3 reported in 2016. *Gambling participation in 2017: behaviour, awareness and attitudes, Annual Report, February 2018.*

New consumers may come from the convergence of gaming (computer games) and traditional gambling through eSports and gambling-style online games. This development is far from certain, but there are potential risks associated with it. Our research into these areas and monitoring of issues such as virtual currencies, eSports and social gambling will continue.

- 1.8. We expect that, to some degree, growth online will be at the expense of the non-remote gambling sector. What is less clear at this time is the extent to which gamblers will either transfer their activity from non-remote environments to online, or conduct their gambling activity both offline and online. The non-remote gambling sector faces challenges, including how it adapts to changing consumer behaviour, and how it competes with the technological advantages available to online gambling operators.

Our experience of regulating the online market

- 1.9. The continued expansion of the online gambling market means that it is drawing significantly more public attention. Advertising has become increasingly prevalent, with operators making extensive use of TV advertisements, sport sponsorship, social media advertising and direct marketing. This has led to concerns around the normalisation of gambling for young people, the volume of advertising as well as concerns about the fairness and transparency of marketing and advertising. In particular there are concerns about the exposure of young people to gambling advertising via social media and other non-traditional forms of advertising. Section 4 summarises some of the work undertaken in this area. Our position on advertising is set out more fully in our advice on the review of gaming machines and social responsibility measures.
- 1.10. A key area of focus for us is to ensure that consumers are protected from gambling-related harm, whether they gamble online or in land-based premises.
- 1.11. The latest Health Survey data on gambling participation and problem gambling rates is available through the Health Survey report on Gambling Behaviour in Great Britain 2015, published in August 2017. This report found that 10% of the 16+ population participated in online gambling or betting in the past year³ (7% in 2012) and amongst those problem gambling rates were 5.1% (4.2% in 2012).
- 1.12. There are no restrictions in online gambling on stakes and prizes or speed of play, and by definition online gambling is not restricted to premises. This allows a great deal of commercial freedom not available in land-based gambling. However, online operators have the ability to collect significant amounts of data on their consumers and do not have the challenge of dealing with anonymous activity as is generally the case in land-based gambling.
- 1.13. We expect online operators to use the data available to them to identify and minimise gambling-related harm. They should be identifying potentially problematic gambling behaviour and intervening once this behaviour has been identified. It is important that these interactions are effective, and that consumers act upon them. Different consumers will react in different ways, therefore we expect operators to trial and evaluate the most effective methods of consumer interaction.
- 1.14. Overall, progress by the online industry to minimise harm has been significantly slower than we expected and required. One of the main focuses of our ongoing work has been to get the industry to improve its ability to identify and engage those consumers exhibiting signs of problematic behaviour. We are starting to see signs that online operators are beginning to take their responsibilities as seriously as we expect, and that they are making this an integral part of their business culture.

³ The Health Survey report on Gambling Behaviour in Great Britain 2015 uses past year participation rather than 'past 4 weeks' which our participation survey uses (and is referenced at paragraph 1.6)

- 1.15. The online sector is building upon the PWC research commissioned by GambleAware with the Remote Gambling Association (RGA) having developed a set of good practice guidelines for data analytics, which it expects its members to adopt. And some operators have developed algorithms which make use of the data they have on consumers. They are using the data to identify potentially problematic gambling behaviour and to decide when to carry out customer interactions. Operators are also beginning to trial and evaluate different ways of interacting with consumers to ensure that they are effective in helping the consumer take appropriate action to modify their behaviour. For example, some operators have started monitoring the take-up of gambling management tools after an interaction, and some are trialling different forms of message and seeing what has most impact. However, progress is still slower than we hoped, and it is not consistent across the industry.
- 1.16. The online sector is continuing its work towards implementing the national online self-exclusion scheme (GAMSTOP) that will allow online consumers to self-exclude from all Commission-licensed online operators in a single step. This is a complex technology project that has to be tested robustly. We were disappointed that the launch of GAMSTOP was delayed, but we have been assured that the delayed launch will allow the robust testing that is necessary. As soon as GAMSTOP is operational and the Commission has brought into force operators' requirement to participate, we will strongly enforce this participation in the scheme. Once launched GAMSTOP, together with the land based multi-operator self-exclusion schemes, will be evaluated to ensure it is as effective as possible. This evaluation will also consider whether there should continue to be the opportunity for consumers to choose to self-exclude from individual operators, or whether this opportunity should be removed so that consumers can only self-exclude via a multi-operator scheme.
- 1.17. This review, which took account of issues we have identified through our review of the sector and compliance activity, found four policy areas where we consider it necessary to enhance the regulatory framework for online gambling. We will consult on these four issues. In addition, there are five areas where we will carry out further work to assess the available evidence and, where necessary, will consult on further policy changes.

Policy recommendations

- 1.18. Our four key policy actions are as follows:

i) Issue: age verification (AV)

The Young People and Gambling 2017 research study drew on data from an Ipsos Mori survey of 2,811 children aged 11 – 16, from schools in England and Wales. It found that 3% of 11 – 16 year olds had gambled online. Whilst this is a relatively small amount, the availability of efficient and effective age verification tools means that, in our view, it is no longer necessary to allow operators 72 hours to complete age verification. In many cases operators do not use the 72 hour age verification period and instead only allow consumers to gamble after age verification has been completed.

We also have more general concerns about the availability of play-for-free games. These games are not gambling – they are free and there is no prize. But they may encourage young people to gamble. These concerns also apply to gambling-style games that are offered by non-gambling operators (and over which gambling legislation and the Commission have no remit). At present, we have no requirements regarding access to play-for-free games⁴ offered by licensed operators. We think operators should be providing greater protections in these areas.

⁴ Remote Technical Standard 6 is our only requirement and is concerned with ensuring play-for-free games are offered fairly so as not to mislead consumers about the likelihood of winning

Action: we will consult on amending the LCCP to require AV to be completed on all consumers before they can deposit money and gamble, and for play-for-free games to be available only after AV is completed.

ii) Issue: customer identification

Our experience has shown that many failings arise because operators do not know enough about their customers at an early enough stage of their relationship. These include cases where problem gamblers or criminals have gambled sums that were well in excess of what their profile would have suggested was affordable. In addition, we are concerned that operators may be treating their customers unfairly by requesting additional information only at the point where the customer has requested a withdrawal.

Action: we will consult on introducing a **customer due diligence** requirement so that operators will have more information about their customers at an earlier stage. This would require players to be verified before they were allowed to gamble. We will also consult on requirements that would mean operators had to set limits on players' spending which could only be increased once they had further verified information about the player, for example via an affordability check.

iii) Issue: unclear and/or unfair terms and conditions

The Commission and CMA launched a joint review of the online sector due to concerns about unfair terms and conditions. This review found widespread instances of unfair terms and practices in relation to promotional offers. The CMA is taking action in relation to [several operators](#), and we will be conducting compliance activity to apply the same standards across the industry.

Action: We are already [consulting on amendments to LCCP](#). We will also publish guidance for operators and ADRs on **unfair terms**, and provide more information on where consumers should go if they have been treated unfairly. Our view is that this is necessary in order to build on and embed the outcomes of our work with the CMA.

iv) Issue: ineffective customer interaction

Our work has indicated that although some operators are starting to make progress, there are still inadequacies in the online sector's approach to customer interaction. Some operators are starting to use data more effectively to identify potential indicators of harm at the earliest possible stage and provide effective support and advice to consumers to reduce it. But this needs to become more widespread.

Action: We have recently published [guidance](#) to operators in order to raise standards in customer interaction across all operators. In 2018-19 we will also consult on amending the LCCP **customer interaction** requirement.

Areas of further work

- 1.19. There are also five areas where we will be undertaking further work before deciding if we need to consult on changes to our LCCP. These are:

v) Assess the effectiveness of the current consumer protections

Online operators have a significant amount of data with which to monitor consumer activity and ensure that their consumers can gamble safely. The industry is already undertaking work in the area of data analytics. However, whilst the development of predictive models shows some progress, there is little sign these methods of detection have been effectively trialled and evaluated. Furthermore, at this time, the use of such models is by no means widespread and their application tends to vary across the sector.

We will review the effectiveness of current gambling management tools. We will use the results of this review to decide whether we need to strengthen and expand the range of tools operators are required to provide to enable consumers to maintain control of their gambling, and look at ways to encourage more players to use the tools available.

vi) Review game and product characteristics to identify whether particular features pose greater risk of harm than others

Our corporate strategy reasserts the need for gambling products to be developed in a fair and open manner. We are concerned that game characteristics can be used to encourage and incentivise consumers to play for longer and/or spend more. It has long been a practice to offer extra rewards for loyal consumers (such as bonus prize draws after a month of qualifying play, or tickets to sporting events for long term VIP players). However, games can also be designed to reward more intensive play within a single gaming session. That immediacy and incentive to increase spend might not allow the player to reflect on their activity as they might when playing over a longer period of time.

We intend to conduct further research into the relationship between in-game features and the potential to incentivise negative gambling behaviour. In the meantime, we will not hesitate to intervene on a precautionary basis where game characteristics have the potential to cause harm.

vii) Review our requirements on the protection of customer funds and consider whether there are sufficient protections around dormant accounts

Our corporate strategy seeks to establish a market in which consumers are able to differentiate between operators on factors other than price alone. Existing Gambling Commission requirements, which aim to help consumers differentiate between different level of customer funds protection, have had limited apparent impact on consumer behaviour. So, we will need to gain a better understanding of consumer behaviour before deciding whether to propose any changes.

We propose to undertake a package of work to assess the risks and options around customer funds. This work will focus on how best to ensure consumers are properly informed about the risks to their funds and are given sufficient opportunity to withdraw their deposits. We will also support the CMA's review into the practice of charging "dormant account fees" on consumers wishing to access their funds. The outcomes of the CMA's review will inform our approach to enforcing existing LCCP requirements.

viii) Consider whether gambling on credit should continue to be permitted

Concerns have been raised regarding the offering of credit and allowing gambling on credit cards as it *increases the risk that consumers will gamble more than they can afford*. We support the principle that consumers should not gamble with money that they do not have and plan to conduct further work on gambling using credit in order to develop a more comprehensive understanding of associated risks. We plan to consult on the options that emerge from this review.

ix) Consider whether we need to make changes to LCCP in order to ensure that consumers can withdraw funds more easily

We are aware that some operators only undertake customer diligence checks at the point of withdrawal, which can delay the time it takes for consumers to access their funds. The improvements to customer identification outlined above are likely to remove the need for this in many cases because operators will have already completed these checks.

However, some operators offer the ability to "reverse withdrawal", a facility that enables consumers to cancel their request to withdraw funds prior to the funds being transferred to their account.

The CMA has also raised concerns about some of the practices associated with restricting customers from withdrawing funds. For example, these include unreasonably high minimum withdrawal limits, and terms that prevent consumers from withdrawing money they have deposited unless they wager its value in full once, or several times. The outcomes of the CMA investigation will inform our work on withdrawal of funds and help us to better assess the potential risk of harm associated with reverse withdrawals.

- 1.20. These actions are not the limit of our work. We currently have a significant amount of work in progress intended to raise standards across the online gambling industry. We will be raising awareness amongst operators of common failings in their compliance and will take robust regulatory action where we identify significant non-compliance.
- 1.21. For example, we have conducted a targeted, thematic review of the online casino sector to assess sector-wide compliance with their anti-money laundering requirements. The review identified widespread failings and as a result we are taking regulatory action against 17 operators, five of which are facing licence reviews. In addition we wrote to all other online casino operators to notify them of our findings and inform them to review their own policies and procedures. If operators fail to act upon this they too will face robust regulatory action.

Next steps

- 1.22. We are in the process of developing a timetable for this work, and will provide details in our Business Plan for 2018-19.

2 Online gambling market overview

- 2.1. Our industry statistics published in November 2017 showed that the online gambling sector (excluding National Lottery and other lotteries) continues to be the single biggest sector accounting for 34% (£4.7bn) of the £13.8bn total gross gambling yield of the British gambling market.
- 2.2. The online sector continues to grow with total GGY growth of 11% in the 12 months to 31 March 2017. Analysts expect the rate of growth to cool as the market approaches maturity, with competition driving good value for consumers and resulting in lower margins. However, accurate long term comparisons are difficult because the Commission has only regulated the whole British online gambling market since 1 November 2014. Prior to this date, the Commission regulated less than 15% of the market to which British consumers had access.
- 2.3. As of January 2018 we had 495 remote operators with a total of 862 licensed activities for a range of betting, gaming and gambling software products. Of these, 310 operators are licensed to offer consumer-facing activities (ie B2C). The remainder are only licensed to provide business to business activities such as the manufacture and supply of gambling software.⁵
- 2.4. We did not collect data on all British gambling activity prior to 1 November 2014. However, third parties such as H2GC and Gambling Compliance did produce remote market analysis which we consider to be reasonably reliable. These third parties needed to make some assumptions about the size of operators that did not publish detailed breakdowns of their results, and there were some differences in definitions. Nevertheless, their data can be used to show the growth of the market since 2008/09 when it was estimated to generate a GGY of around £1.5bn.
- 2.5. Figure 1 combines our data with H2GC (H2GC data is in blue). The Commission data for 2014-15 (the first period we began collecting for the whole market) is based on the 5 months from 1 November 2014 to 31 March 2015, annualised (by dividing by 5 and then multiplying by 12).
- 2.6. Figure 1 shows the significant growth in the online sector. While the British online gambling market is more mature than other jurisdictions, there are questions about whether it has now ended its embryonic growth phase and can maintain the double digit growth it has seen to date.
- 2.7. Online casino has always been the largest product and currently accounts for 55% of total online GGY with betting accounting for 41%. This split is unchanged from third party estimates for 2008/09 although there has been some fluctuation during that time. We expect the sector to continue to grow, albeit not at the same rate. However, as we do not have a full dataset on the market pre 2014, it is not possible to predict how it will react to changes in the macroeconomic cycle.

⁵ The difference in number of operators and number of licensed activities is because an operator can have multiple activities on their licence.

Figure 1

Online product (£m)	2008-09	2009/10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Betting	£624	£685	£733	£884	£1,045	£1,226	£1,245	£1,735	£1,939
Casino	£865	£1,070	£1,239	£1,311	£1,527	£1,636	£2,160	£2,366	£2,620
Bingo	£43	£60	£73	£98	£114	£127	£161	£151	£162
Total	£1,532	£1,815	£2,045	£2,292	£2,686	£2,989	£3,565	£4,252	£4,722
Annual growth		18%	13%	12%	17%	11%	19%	19%	11%

- 2.8. Figure 2 shows online GGY by sector as a percentage of total sector GGY, where possible comparing like-for-like products across channels (for example excluding machines revenues from non-remote betting and bingo). The online casino sector (including slots) has been larger than its land-based equivalent (including machines) throughout the time we have been collecting data.
- 2.9. The size of the online betting sector exceeded the non-remote betting sector for the first time in 2015/16. The key elements in this trend are changing consumer behaviour and the ability for online operators to offer more enhanced products such as in-play betting, access to a wider range of markets and events, mobile betting (enabling consumers to bet whilst at sporting events), live streaming and more bonuses and special offers. Technological advances mean that land-based betting operators can increasingly offer a more sophisticated product to consumers such as in-play betting through self-service betting terminals. However it is unlikely that this will reverse the trend.
- 2.10. The land-based bingo sector is still much larger than the online bingo market based on GGY which perhaps reflects both the nature of the product (online bingo does have a social element via chat rooms, but does not have the social environment offered in a bingo club) and the demographics of the bingo market.

Figure 2: online component as a percentage of total sector GGY

% of product that is online	2008-09	2009/10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Betting ^a	25%	30%	31%	36%	39%	43%	44%	53%	56%
Casino ^b	52%	59%	61%	60%	61%	60%	65%	70%	69%
Bingo ^c	8%	13%	15%	19%	22%	25%	31%	29%	31%

Source H2GC for estimated data, Gambling Commission 2014-15 onwards

^a betting excludes any GGY from gaming machines in betting shops

^b casino includes GGY from gaming machines in land-based casinos and slots in online casinos, as this provides a direct comparator across both channels

^c bingo excludes any GGY from gaming machines in bingo clubs

- 2.11. One key characteristic that non-remote and online bingo share is the importance of slots revenue. In land-based bingo, 46% of the sector's GGY comes from gaming machines although only 18% of bingo players play on machines; in online bingo we estimate that 75% of GGY derived by an operator's bingo product/vertical is in fact from slots, often played as side-games. There are wide differences between individual operators with some being overwhelmingly bingo based whilst others use bingo as a loss leader to bring consumers to their slots and casino products.
- 2.12. Figure 3 sets out the growth in the three main product areas over 1 year, 3 years and 8 years (without adjusting for inflation).

Figure 3: growth in GGY by product over time

		8yr growth	3yr growth	1yr growth
Betting ^a	online	211%	58%	12%
	land-based	-15%	-4%	-1%
Casino ^b	online	203%	60%	11%
	land-based	46%	5%	17%
Bingo ^c	online	278%	28%	8%
	land-based	-25%	3%	-2%

Source H2GC for estimated data, Gambling Commission 2014-15 onwards

^a betting excludes any GGY from gaming machines in betting shops

^b casino includes GGY from gaming machines in casinos and slots in online casinos, as this provides a direct comparator across both channels

^c bingo excludes any GGY from gaming machines in bingo clubs

2.13. As expected, the long-term growth of the online product has typically vastly exceeded that of the land-based equivalent. There are numerous factors at play which explain the reasons for this:

- a) Relative maturity of markets – land-based gambling is mature with little opportunity for underlying growth. Online gambling is in its adolescence and still experiencing growth
- b) Societal and technological changes – technological developments and changes to consumer behaviour in the wider world are also played out in the gambling market. For example the growth in e-commerce or increased leisure time spent online both have significant parallels with the gambling market
- c) External factors – the smoking ban and its possible long-term effect on bingo clubs (8 year picture shows a decline)
- d) Different factors or restrictions between the online and land-based sectors:
 - i. No premises required – online businesses are not limited to having to have a physical location for consumers; the internet, and in particular the mobile internet, means online gambling is available everywhere and at all times.
 - ii. Operational costs –there are significant economies of scale for online businesses (not limited to gambling):
 - o As above, online gambling businesses do not need lots of premises (with their associated rent/purchase costs and fittings)
 - o They can make use of third party specialists for many parts of their business, which in turn are cheaper than their land-based equivalents
 - o In the case of online slot games, they can be the same as their land-based counterpart, but do not require the expensive cabinet and screens; those are all provided by the consumer's device
 - o In the case of online betting, the fact all consumer activity with that operator is online means that operators can employ more effective risk management, ie manage liabilities closer to real time to offer more competitive odds whilst still retaining a margin
 - o This combination of factors means online businesses can operate at lower margins which they typically use to offer consumers better odds in the case of betting, or more generally bonuses in all forms of gambling. The ability to compare prices means that consumers can consider the odds available in a betting shop versus those online. They are increasingly likely to be indifferent about whether their bet is online or offline; the odds (and any associated bonuses) will be the decisive factors
 - o Unlike land-based gambling where activity is typically anonymous, consumers can be tracked more easily and operators can target products and advertising more effectively. This can both reduce costs and generate more activity (or a greater share of gambling activity with a single operator).

Controversially, it can also lead to successful betting consumers having their accounts restricted so they are unable to bet with an operator on the types of market they are successful at or at the level of stake they want

- e) Legislative/regulatory controls – unlike the land-based equivalents the online sector does not have controls on the following:
 - i. Location of premises – either via permitted areas or local authority controls on use of premises
 - ii. Limit on numbers of machines
 - iii. Limits on stakes and prizes
 - iv. Use of credit for gaming
- f) Some evidence of channel shift/crossover – this is set out in more detail in the next section.

2.14. The overall size of the British online gambling market is £4.7bn and a small number of operators have the bulk of the market share. Figures 4 and 5 below show the breakdown for 2011 (Figure 4) and 2017 (Figure 5) to illustrate the changes in the make-up of market share during this period.

2.15. The key points to note from these comparisons are:

- a) Market share is less evenly split in 2017 than it was in 2011. The 'big' have got bigger and mergers have been a factor with Paddy Power Betfair and Ladbrokes Coral (who are now subject to a takeover by GVC) the second and fourth largest operators respectively. The top four largest operators now account for 59% of market share, up from 42% in 2011.
- b) However, the largest operators have not stayed the same with Sky Bet moving from outside the top eight in 2011 to third in 2017. William Hill and 888 are now both outside the top four having been there in 2011.
- c) In addition, the largest eight operators have grown their market share at the expense of smaller operators with the percentage market share for 'other' dropping from over one third to less than one-sixth.
- d) Size of business is therefore important. The changes in the top eight operators have shown that growth can be achieved either by mergers (Paddy Power Betfair and Ladbrokes Coral) or by organic growth (Sky Bet). However, as the market matures and the biggest operators become bigger, it becomes increasingly difficult for a new entrant to break into the top eight through anything other than a merger or acquisition.

Figure 4: Overall online market share 2011

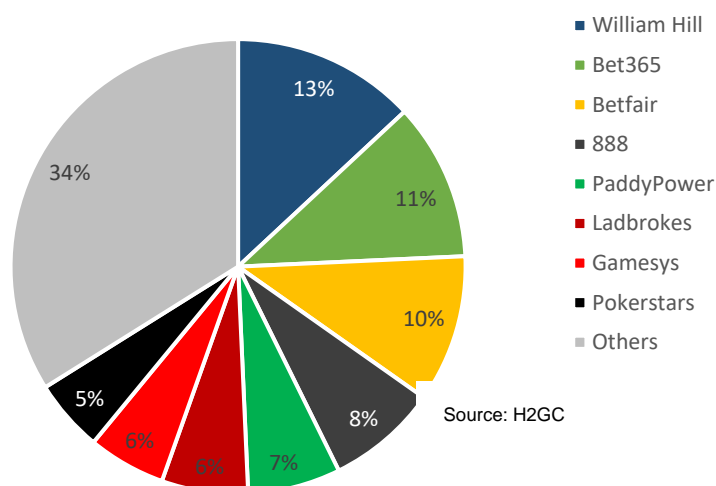
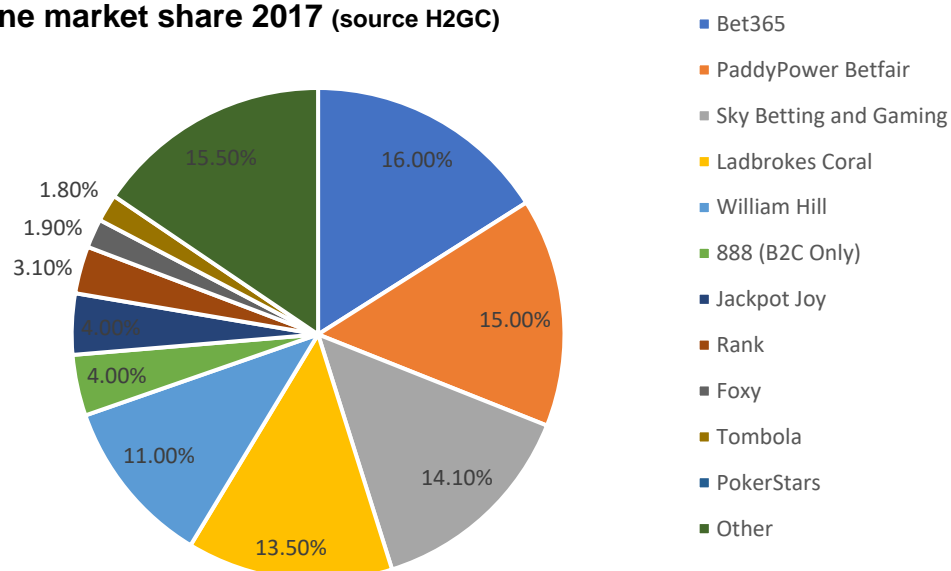
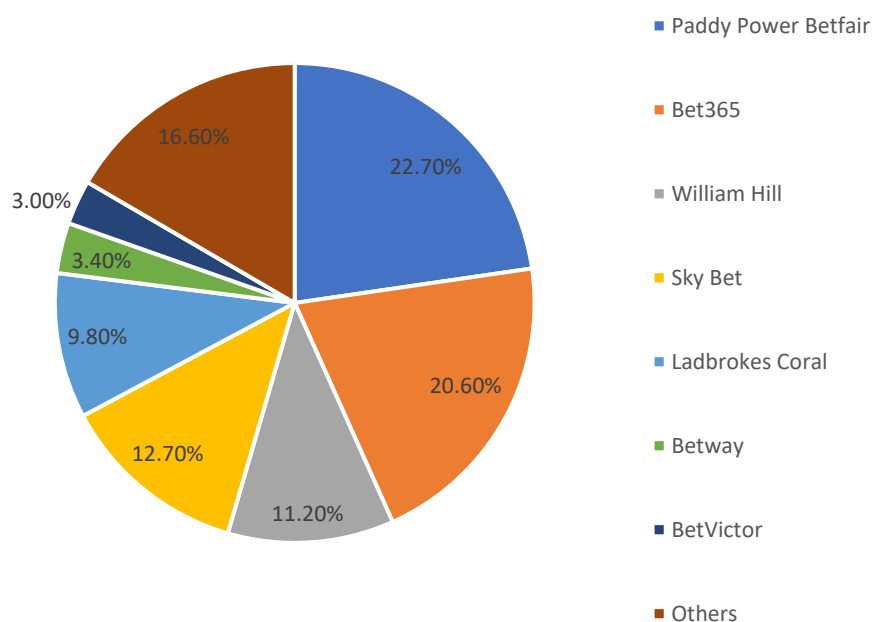


Figure 5: Overall online market share 2017 (source H2GC)



2.16. Figure 6 below uses data from Gambling Compliance to show the breakdown of market share by operator for online betting in 2016. The betting sector is dominated by seven very large operators who between them have 83% (virtually unchanged from 2015) market share, with the remaining 17% shared between approximately 100 other operators.

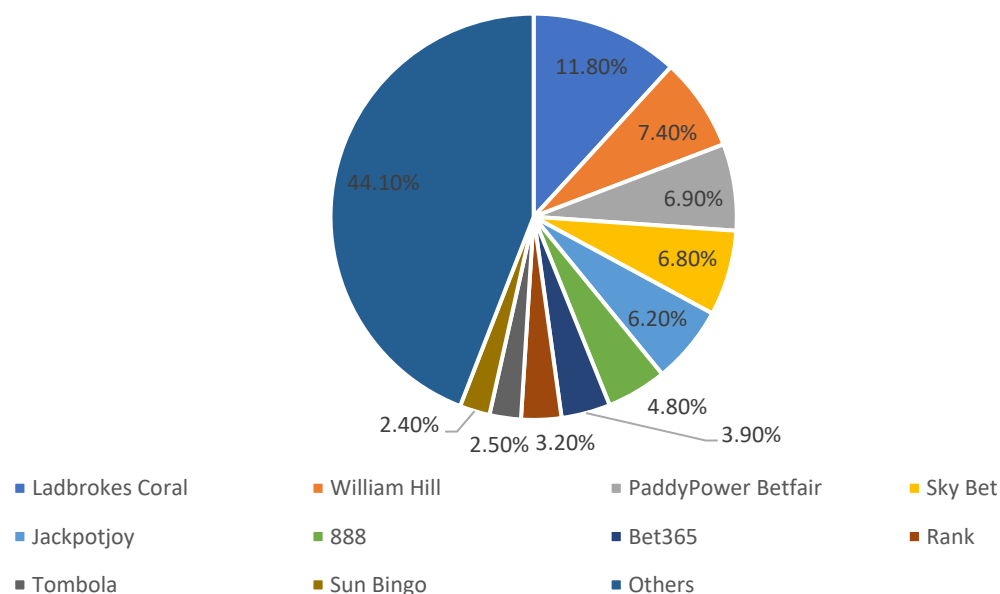
Figure 6: online betting market share 2016



Source: Gambling Compliance

- 2.17. On the other hand, Figure 7 below shows that the online casino market is far more fragmented with only the merged Ladbroke's Coral entity having over 10% market share. In this sector, the largest seven online operators account for only 47.8% (a small increase on 2015 when it was 45.2%) of the total market. While newer and smaller businesses can compete more easily in this sector, five of the largest seven operators are the same as for the betting sector. This highlights the importance of scale, brand recognition and cross-sell to acquiring market share.

Figure 7: online casino market share 2016



Source: Gambling Compliance

Channel shift⁶ and crossover⁷ between online and land-based gambling

Summary

- some evidence of channel shift and crossover, albeit limited
- difference between online and in-person casino participation split has been steadily narrowing
- no clear trend for bingo though there has been a slight narrowing of the gap between online and in-person participation
- significant increase in online participation in horse races – this is correlated with a fall in in-person participation
- very limited information on spend but inference from combination of participation rates and GGY is that online consumers in general spend more than land-based consumers.

- 2.18. Overall channel shift appears to be taking place at a macro level as our data shows growth in the size of the online market and a decline in the non-remote market, particularly when gaming machine revenue is excluded.
- 2.19. From our participation surveys (which involve 4,000 people each year) we see evidence suggesting some shift from land-based gambling to online gambling. This data is not, however, longitudinal so the observed shift could either be as a result of:

⁶ Channel shift is where consumers switch their gambling activity from non-remote to online (or vice-versa)

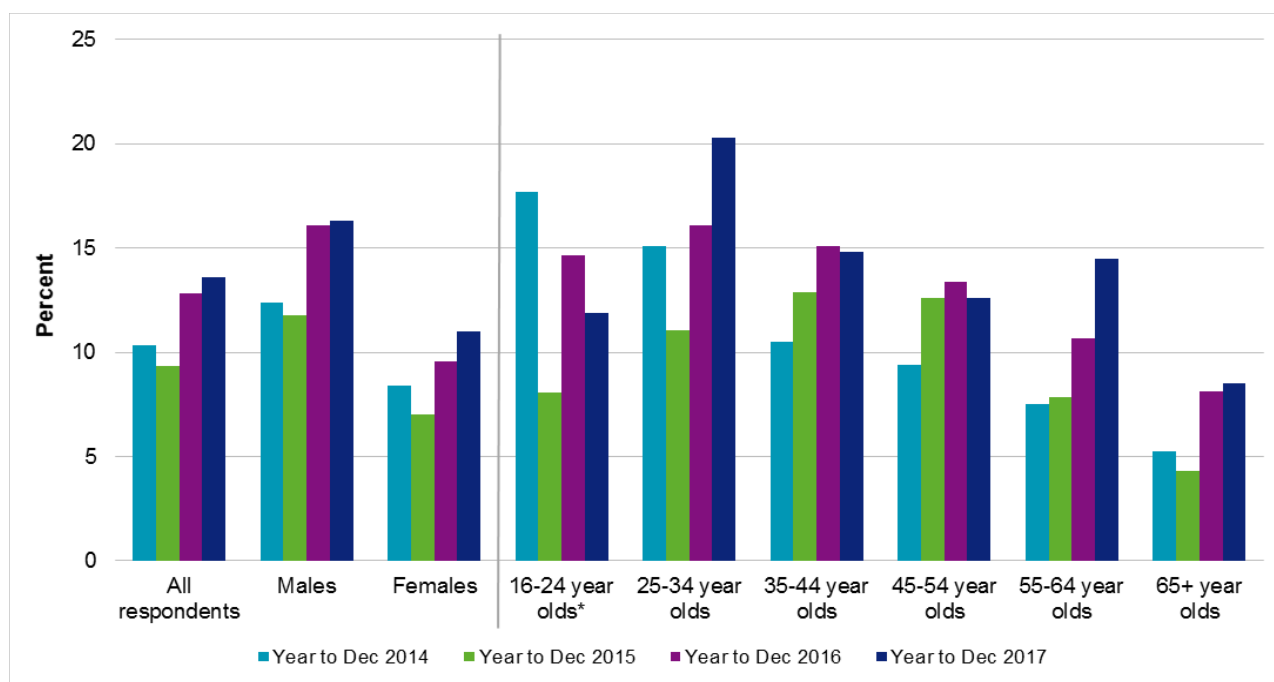
⁷ Cross-over is where consumers participate in a form of gambling by both non-remote and online means

- people new to the gambling market having more of a preference for online than previously due to changing consumer behaviour
 - land-based consumers shifting to online, or
 - new consumers, who would otherwise not have gambled, playing online.
- 2.20. It is likely that some combination of these factors is occurring and that it is different for different sectors but land-based consumers shifting to online is likely to be a key factor
- 2.21. There is an additional issue that, due to methodological constraints, participation data does not capture information on spend. Some of this can, however, be inferred by coupling participation rates with information on GGY which seems to suggest that online consumers in general spend more than land-based consumers.
- 2.22. Figure 8 shows the difference between online and in-person casino participation split has been steadily narrowing. In-person now looks to have plateaued whilst online has increased. Online has now completely overtaken in-person (it was 0.5% more in 2016).
- 2.23. Figure 9 shows that in-person participation for bingo is down whilst online participation is up which is a longer-term trend that has been seen from 2013 onwards. It also shows that when online participation did spike in the year to September 2014 in-person participation initially dropped. Since then in-person increased but dropped back somewhat in 2017. On the other hand, after the increase for online in 2014 it dropped back before reaching a new highest participation rate in 2017.
- 2.24. Figure 10 shows there has been an increase in online participation in horse races, although 2016 appears as an outlier. This is correlated with a fall in in-person participation. Based on 2017's data in-person participation appears to have plateaued whilst online has decreased meaning that crossover (ie the % playing both in-person and online) has declined.
- 2.25. Figure 11 shows rates of in-person participation for dog race betting have been stable across the period whilst online participation has increased as crossover between the two has increased.
- 2.26. Figure 12 shows that sports betting is the only activity where at the start of the series online participation was higher than in-person. Since then, in-person sports betting has fallen overall albeit rebounding slightly in 2016, which is possibly in-line with the Euro 2016 football tournament. The trend in online participation has been stable and increasing.
- 2.27. Figures 13a to 13d in Appendix B show the crossover in participation in different gambling activities. The key points to note from this are as follows:
- a) There is a high rate of engagement with fixed odds games and sports betting amongst online casino players which is likely as a result of the younger demographic of participants
 - b) There is a high crossover from bingo to slots which supports what we know of the importance for revenue of slots side games on bingo websites
 - c) There is a high crossover for horse race betting consumers with football betting but less so the other way. Overall online football bettors appear to be a less engaged group than horse race bettors or online casino players are.
 - d) Bingo and casino players have high levels of engagement with scratchcards.

3 Data and research

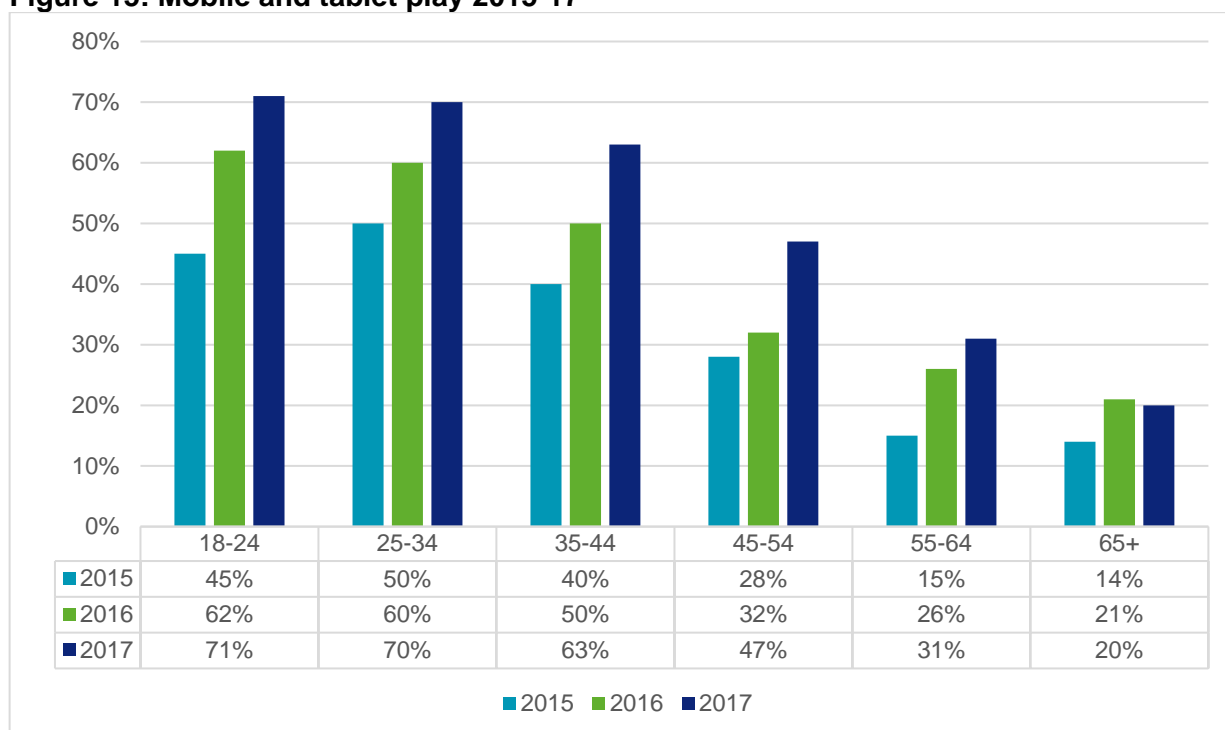
- 3.1. According to our latest figures, past four week participation for online gambling (excluding National Lottery draws) increased from 10.4% in the year to December 2014 to 13.6% in the year to December 2017.

Figure 14: Proportion of respondents participating in online gambling in the past four weeks, excluding those only playing National Lottery draw products



- 3.4. This increase has been seen across both genders and across all age groups, with the exception of those aged 16-24, although the spike in 2014 data can be explained by a survey conducted in the year to December 2014 taking place in a period covering the Grand National. In particular there are some pronounced increases since 2016 for the 55-64 and 25-34 age groups.
- 3.5. To further understand the growth in online, we commissioned surveys on consumer behaviour in relation to mobile and tablet play across activities. The key findings are laid out in the figures below, showing that the propensity for mobile and tablet use increases as the age of the gambler decreases.

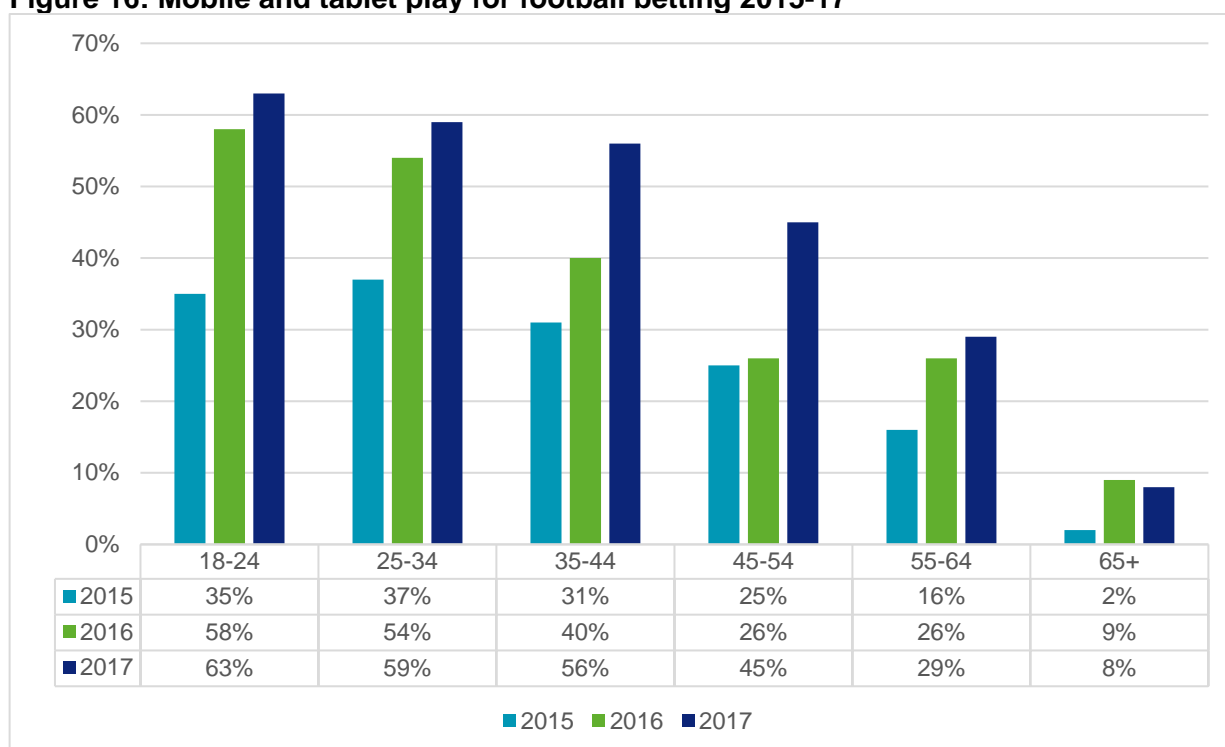
Figure 15: Mobile and tablet play 2015-17



3.6. There has been an increase across all age groups in the percentage of online gamblers that gambled via mobile or tablet in the past four weeks between 2015 and 2017. This increase has been largest for those in the 55-64 and 45-54 age groups.

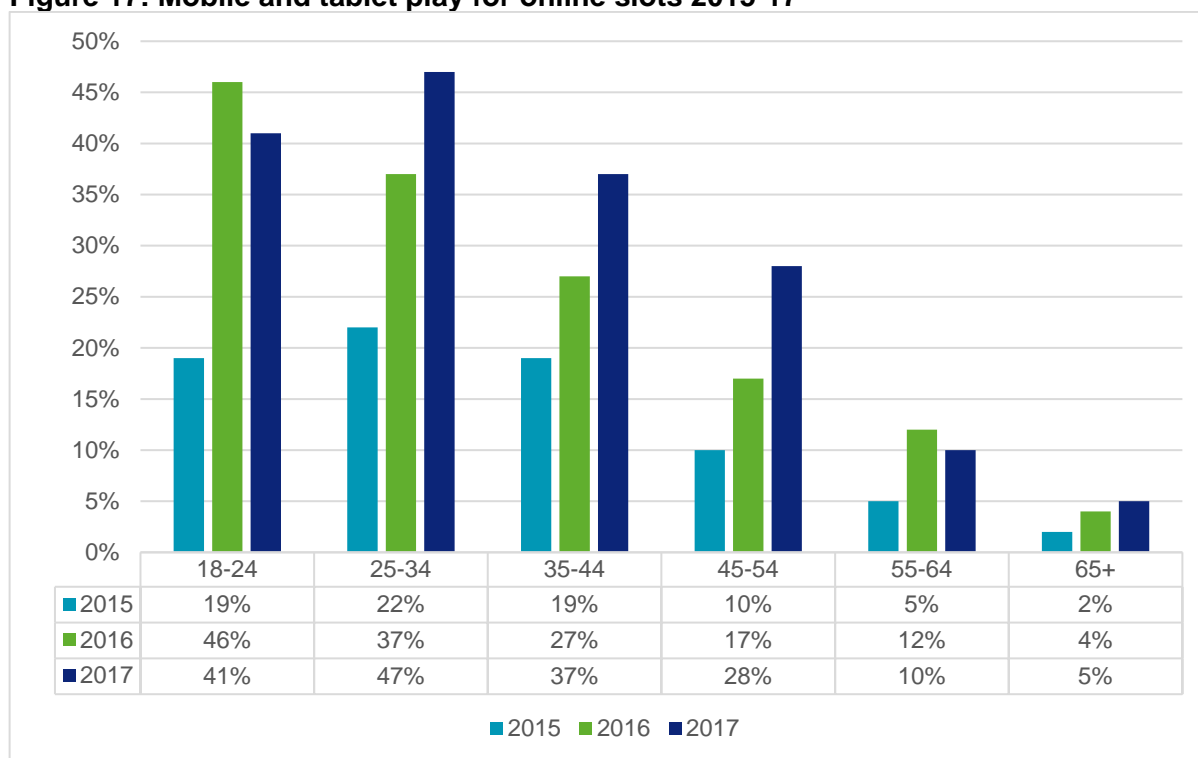
3.7. This increase in mobile use was also seen across all activities but especially in mobile use for football betting (Figure 16) and online slots (Figure 17).

Figure 16: Mobile and tablet play for football betting 2015-17



3.8. The increase in mobile play for football betting is most pronounced amongst the youngest age groups between 2015 and 2016, although the rate of increase the following year was sizeable for most other age groups

Figure 17: Mobile and tablet play for online slots 2015-17



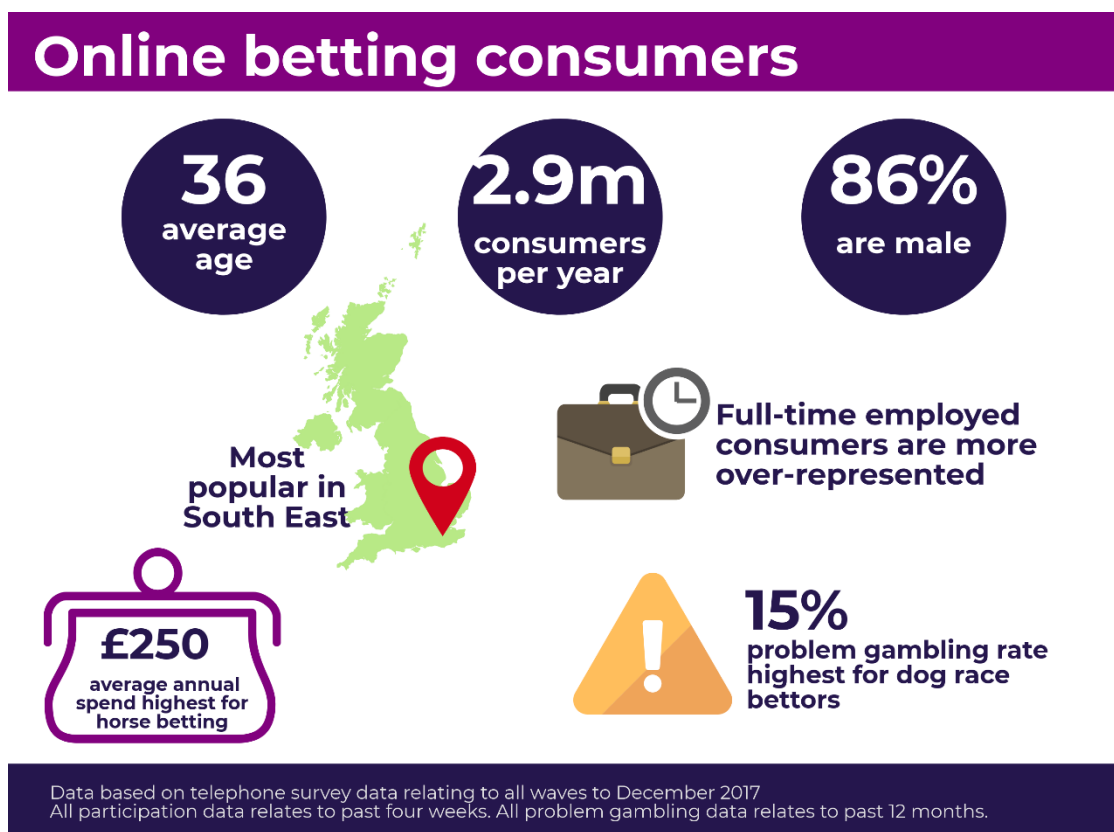
- 3.9. Mobile play for online slots shows broadly similar patterns, with large increases since 2015 for all age groups, although interestingly in this case the youngest (18-24) cohort are no longer the most likely to engage in mobile or tablet play based on the 2017 data.

Characteristics of gamblers (betting, casino, bingo, slots)

- 3.10. The infographics below in figures 18 to 21 set out the main characteristics of online betting, casino, bingo and slots participants using [data from our telephone survey data to December 2017](#).
- 3.11. Betting has by far the highest number of participants at 2.9m with slots (1.3m), casino (0.9m) and bingo (0.7m) all broadly similar.
- 3.12. Casino has the lowest average age at 32 closely followed by slots (34) and betting (36) with bingo, at 43 years, having the oldest average age.
- 3.13. Bingo was the only category where female participants exceeded male participants and casino had the highest male participation rate at 89%.
- 3.14. With the exception of betting, it is participants who were seeking work that are most over-represented in each gambling category. For betting it is social grade A that is most over-represented.
- 3.15. Slots had the highest average annual spend (calculated using our Industry Statistics and Participation data for the year to March 2017) at £1,300, followed by casino at £1,000 and bingo at £250. Within betting, highest average spend was £250 for horse betting. It is important to remember that consumers can engage in multiple activities and therefore cannot be categorised as a single activity participant, although that will be the case for some.

- 3.16. Casino had the highest percentage of consumers classed as problem gamblers (12%),⁸ with slots at 8%, bingo at 5% and betting at 4%. Within betting it was dog race betting consumers that had the highest problem gambling rate at 15%.
- 3.17. On its own, demographic information will not help operators identify potential problem gamblers but our view is that operators should be making better use of this information (eg overrepresentation of people seeking work) in order to support their customer interaction policies and procedures.
- 3.18. This information can be used to support analysis of gambling behaviour, for example by considering how affordable and sustainable a consumer's level of gambling spend is.

Figure 18: Online betting consumers



⁸ Problem gambling rates measured according to the PGSI mini-screen; a 3-item version of the full 9-item screen. Those scoring 4 or more (out of 9) we classed as problem gamblers.

Figure 19: Online casino consumers

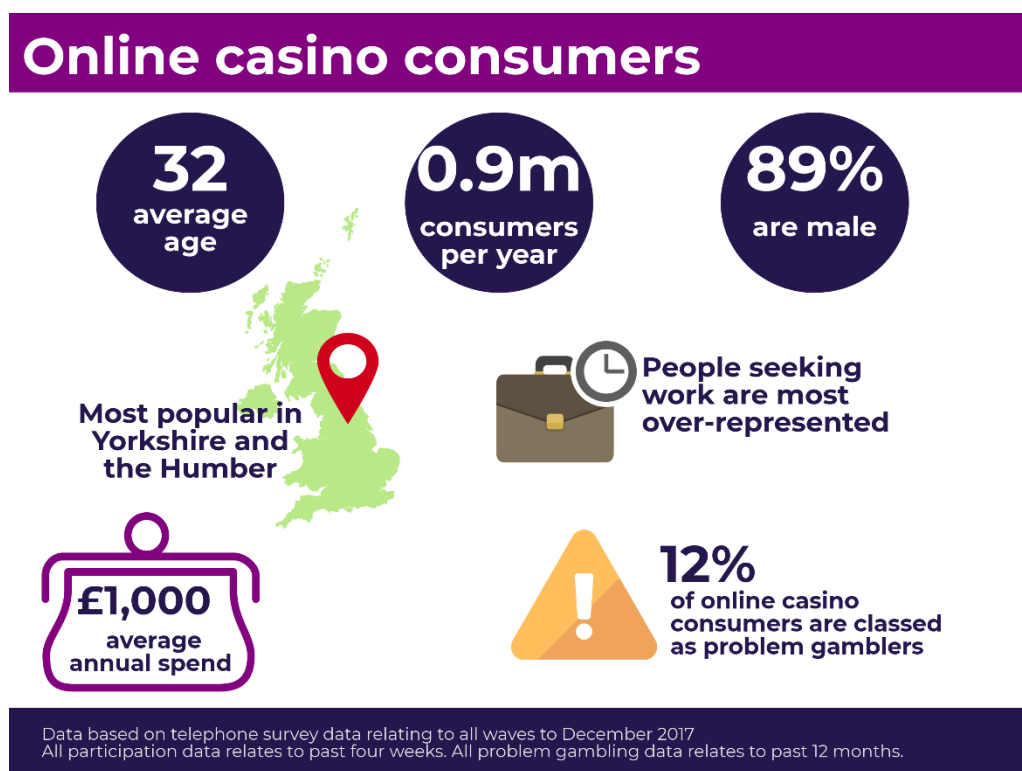


Figure 20: Online bingo consumers

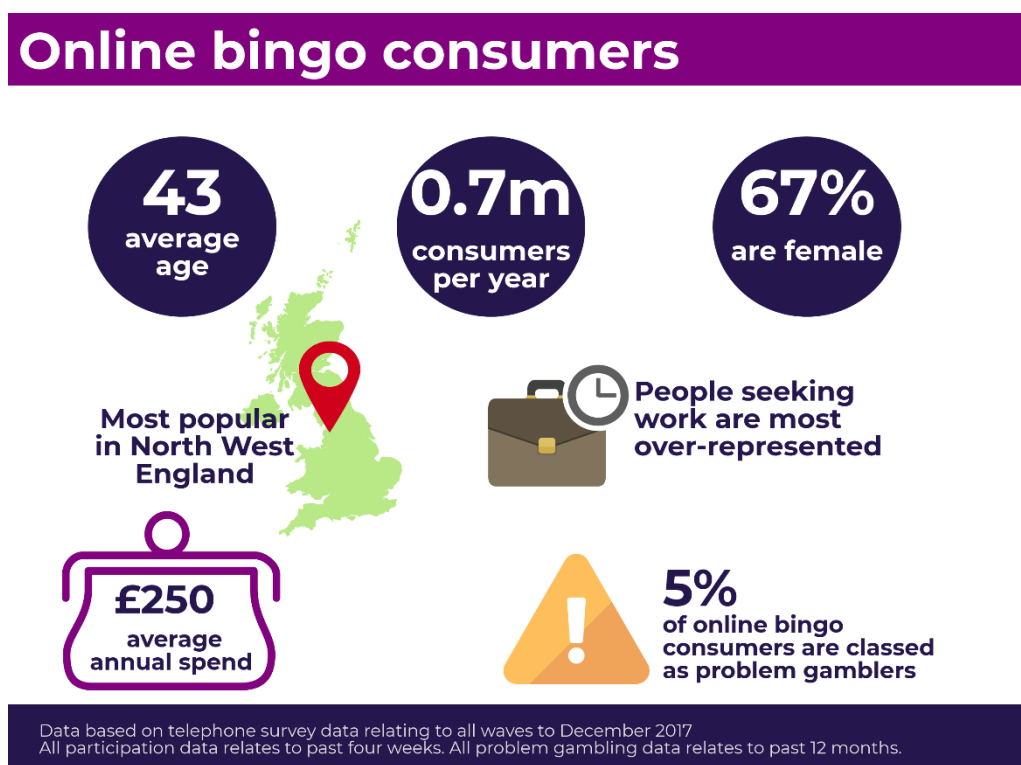
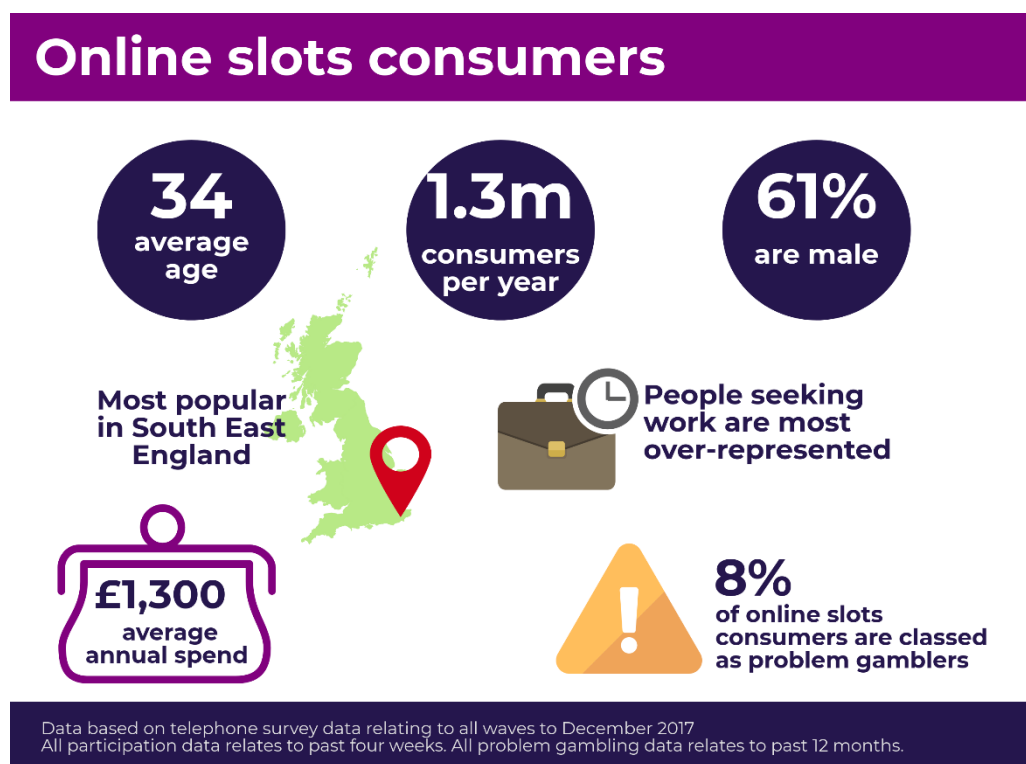


Figure 21: Online slots consumers



Industry supplied data on gambling behaviour

- 3.19. As part of our assessment of the online sector we obtained datasets on the items listed below for slots and non-slots products from 13 operators:
- Net expenditure (within a month)
 - Stake size (on gambles within a month)
 - Frequency of gambling (days per month)
 - Net expenditure by frequency of days gambled on (within a month).
- 3.20. We selected these operators on the basis that between them they accounted for over 50% of the total online British casino (slots and non-slots⁹) market. Analysis of this data indicates that it is representative of the online sector as a whole
- 3.21. The following definitions for slots and non-slots were applied:
- Slots are the online equivalents of gaming machines and are typically reel-based
 - Non-slots are any casino products other than slots but excluding peer to peer poker. They include casino games such as roulette and blackjack.
- 3.22. The data were provided for a period of one month on the basis that casino gaming is non-seasonal so one month was very likely to be similar to another. The data were provided to the Commission on an aggregated basis¹⁰ in accordance with a request set out by the Commission. The key findings from the data are set out below.
- 3.23. We asked GambleAware to commission analysis in order to understand what insights the data provided. The research was carried out by Professor David Forrest and Professor Ian McHale of the University of Liverpool. We have summarised the key findings on each dataset below.

⁹ Where 'slots' are defined as 'reel-based' games and 'non-slots' are all other casino products excluding poker

¹⁰ We did not request raw data from the operators and instead set out the data ranges we required operators to submit their data for

Net expenditure

3.24. The key findings from analysis of this data are set out below: Of almost 1.25m slots accounts 84.5% had a net loss for the month, 14% had a net win and 1.5% had a zero net position.

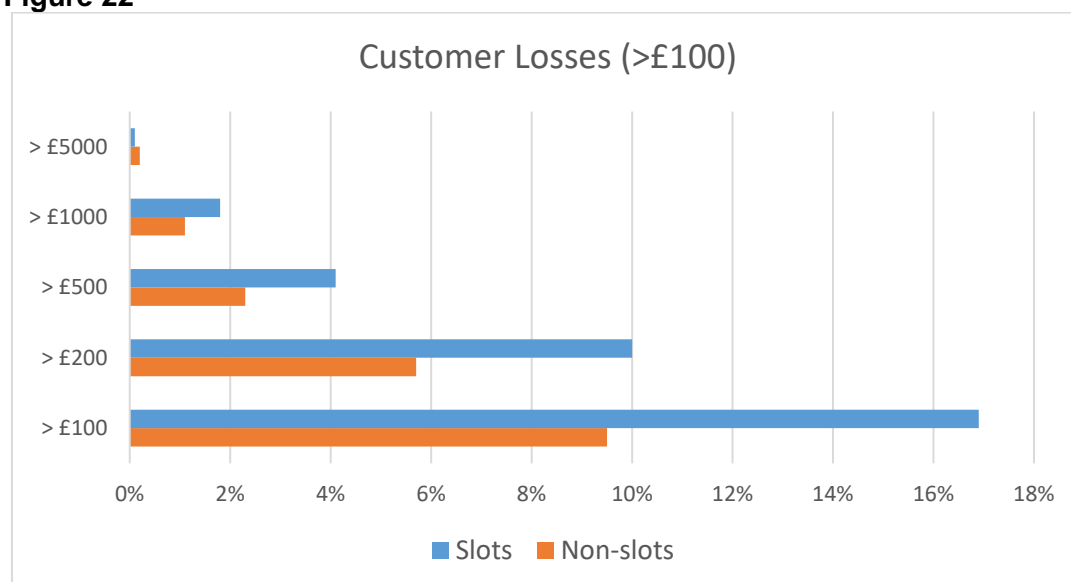
- Of over 785,000 non-slots consumers 68.7% of consumers had a net loss for the month, 31.3% had a net win and 10.7% had a zero net position.
- For slots consumers, 73% of consumers either won money or lost less than £50 in the month (this equates to £600 per year) whilst for non-slots consumers it was 85%.
- This means that 27% of slots consumers and 15% of non-slots consumers lost more than £50 per month (or over £600 per year).

3.25. Forrest and McHale found:

“a clear tendency for there to be a higher proportion of heavy player losses in slots play than in non-slots play. This may reflect to some extent simply that slots bets are more often at longer odds because of the nature of the games and the way in which they are played.”

3.26. However, at the greater than £5,000 loss level there are more non-slots players (0.2%) than slots players (0.1%) which is likely to be due to the higher staking of these players which reflects the higher staking seen in land-based casinos. Figure 22 below shows the net losses for both slots and non-slots.

Figure 22



Stake size

3.27. Figure 23 displays an analysis of staking behaviour for both slots and non-slots. Of over 1.8bn individual spins reported by the 11 operators¹¹, 33.3% of slot games had stakes that were 25p or less, 62% were 50p or less, 82.8% were £1 or less and 93% were £2 or less. 0.6% of remote slot games had stakes of more than £10.

3.28. From over 137m individual spins on non-slots, 24.6% had stakes that were 25p or less, 40.5% were 50p or less, 57.1% were £1 or less and 12.9% were more than £10.

¹¹ Two operators were excluded from Forrest and McHale's analysis of player losses and stake sizes because they had used different ranges. Forrest and McHale considered this to be unlikely to alter their analysis.

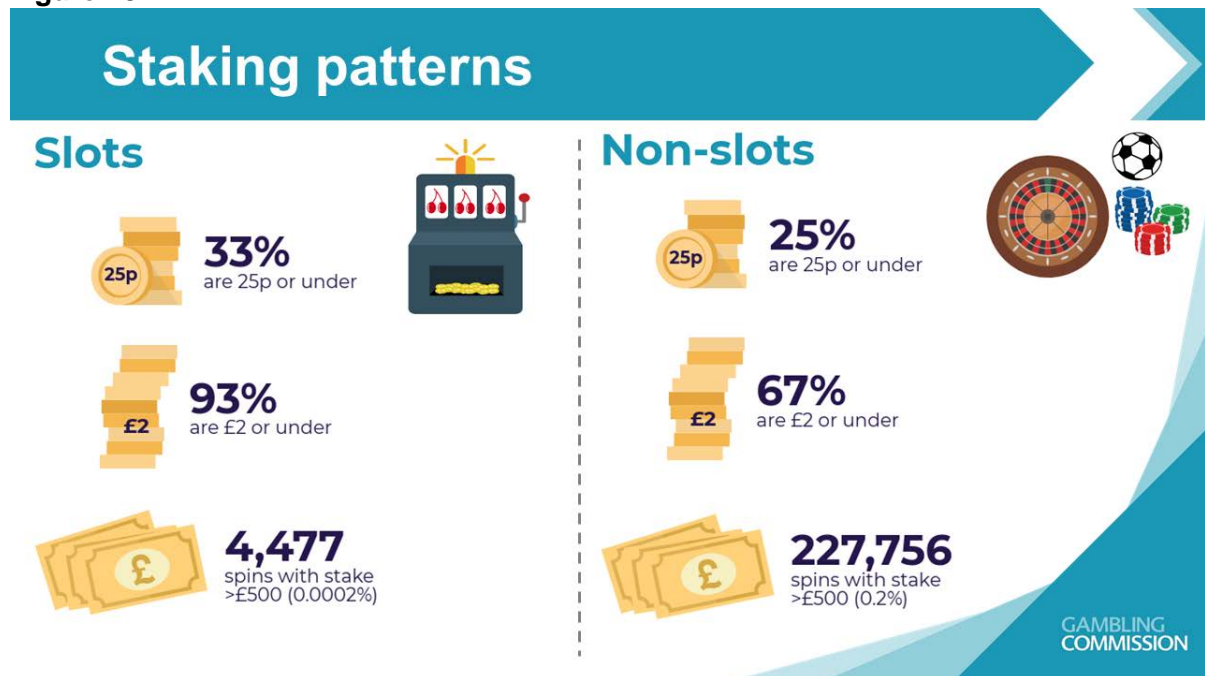
3.29. Forrest and McHale's state that:

For both product categories, the majority of plays are at relatively small stakes. For example, for slots, 82.8% of spins are at stakes of £1 or less and for non-slots the corresponding figure is 57%. Both statistics are broadly in line with those for comparable products offered in an offline environment (B1 slot machines in casinos and FOBT machines, primarily played for roulette, in betting shops are perhaps appropriate comparators for remote slots and non-slots respectively). For example, 50% of spins on FOBT machines in 2013-14 were at a stake of £1 or less."

And that:

"While most plays for both product categories are at what might be regarded as modest stakes, there is divergence as higher staking levels are considered...which shows the two sets of data on one diagram. It is clear that staking at a high level is much more common for the non-slots product."

Figure 23



Frequency

3.30. Figure 24 shows the breakdown of frequency of play on both slots and non-slots. Of over 1.25m slots customers 42.9% only had one gambling day during the month whilst 0.3% of consumers gambled on slots on every day during the month.

3.31. For the almost 800,000 non-slots customers 48.6% only had one gambling day during the month and 0.2% gambled every day.

3.32. Forrest & McHale observed that:

"Whether for slots or non-slots, most customers appear to be only occasional users (though we cannot correct for the possibility that some may be new clients whose frequency of play has not yet been revealed because they are recruited part-way into the month). More than half are recorded as having played on only one or two days.

However, there are significant numbers of regular players... More than 27,000 slots customers and more than 11,000 non-slots customers were active on at least 22 days, making them daily- or almost daily-players.¹³ These are players about whom operators should be very curious because number of active days is recognised as a key marker of harm from gambling"

Figure 24

Frequency	Slots (%)	Non-slots (%)
1 day per month	42.9	48.6
Less than once per week (including one day per month)	80.1	86.5
7-13 days	12.0	8.0
14-20	4.6	2.7
21+	3.3	2.7
Every day	0.3	0.2

Net expenditure by frequency of days gambled on

- 3.33. The final dataset we requested asked operators to provide expenditure in defined bands based on the number of days gambled on. Forrest and McHale found that:
- “...there was a very highly statistically significant relationship between net expenditure in the month and number of active days in the month.” Unsurprisingly, players who lost more tended to have played more often.”*
- 3.34. Groups with the largest losses exhibited indicators of different behaviours. However, the groups with the largest losses exhibited less uniform behaviour. Forrest and McHale stated that there is “(unexpected) heterogeneity in how players reach very heavy levels of loss in the month”. They observed that whilst there were many who reached these levels after gambling on a high proportion of days, “there are also significant numbers of players whose losses are accumulated over only 1-5 days”. Forrest and McHale offer the following potential explanation:
- “may well be that some players.....Simply...have to stop because they have exhausted their resources”.*
- 3.35. As a practical suggestion, Forrest and McHale said that this could mean operators should look for ‘gaps in betting days’ in order to pick up this type of behaviour.

Case for further data requests

- 3.36. The analysis of the data carried out by the Commission and Professors Forrest and McHale drew the following high level conclusions:
- The data had a large degree of consistency across operators which means that useful conclusions could be drawn from a smaller group of operators in future. This could streamline the process of requesting and analysing data in future.
 - The data provided by the industry were instructive and gave greater insight into consumer behaviour and therefore there was value in obtaining more. Forrest and McHale noted that:

“The placing of high stakes is not a very ‘sensitive’ indicator of problem gambling since many problem gamblers stake at only modest to low levels.

However, it is likely to have high ‘specificity’ (ie there is a high chance that any individual placing large stakes is a problem gambler). There is therefore some reason for legitimate concern over relatively common high staking behaviour on non-slots games in the remote sector.”
- 3.37. We therefore propose to request further data in the future which is likely to include the following:
- data on length of activity (session duration, net expenditure and session frequency)
 - data on time of play (expenditure, stake and frequency by hour of day)
 - data on use of gambling management tools and overlaying this with other data points such as net expenditure, frequency of gambling etc

- d) incorporate other datasets which can help understand the consumer better, this may include segmentation / disposable income data about the customer, as well as data derived from their individual patterns of play.
- e) obtain data that shows consumer spend across all products they gamble on (ie slots, non-slots, betting etc)
- f) obtain data from the non-remote casino sector to understand how consumer activity on non-slots in a land-based environment compares with the same games online (due to the similarities ie no limits on stake and prize (casinos have speed of play) and the differences ie no account based play).

Disposable income analysis

- 3.38. We obtained data from the YouGov profiles tool to calculate disposable income for respondents (after mortgage/rent, bills, taxes and food expenses).
- 3.39. While there is small fluctuation between operators, overall 80% of online gamblers have disposable income of less than £1,000 per month.
- 3.40. Across remote gamblers around 30% of consumers reported either having no disposable income or less than £125 disposable income per month. Forrest and McHale noted that “an expenditure of £50 per month is by no means remarkable across leisure pursuits” yet for some consumers this will still be a significant percentage of their monthly disposable income.
- 3.41. Data collected by the ‘Scottish Friendly Disposable Income Index’ suggests that after paying rent, bills and groceries and for a broader set of essentials considered necessary for a full life in modern society such as transport, internet and childcare, the median household disposable income is £1,067. This figure is higher than observed figures from the YouGov data as the majority of households consist of more than one adult. 55% of people surveyed resorted to borrowing money to make ends meet and three quarters of households have used credit within the last 12 months to make ends meet.
- 3.42. Taking these data together suggest that the average person has less than £1000 a month to spend on leisure activities and other extras such as clothes, holidays, etc.
- 3.43. As set out in paragraphs in Figure 22 above 1.9% of slots players and 1.3% of non-slots players lost more than £1,000 during the month, some significantly more. Forrest and McHale noted that:
“while the proportions of big spenders are low, the number of individuals in question is non-trivial. In the course of January, 2017, there were more than 22,000 individuals losing in excess of £1,000 on slots, whilst for non-slots play, there were more than 10,000 customers losing in excess of £1,000.”
- 3.44. We think that the industry could and should make better use of publicly available data and information that can help them better understand their consumers and protect them from harm. This should include using demographic information to make an assessment of the likely spending capacity of consumers. This could mean that operators place limits on accounts and require additional information from consumers before raising these.

Research on gambling-related harm

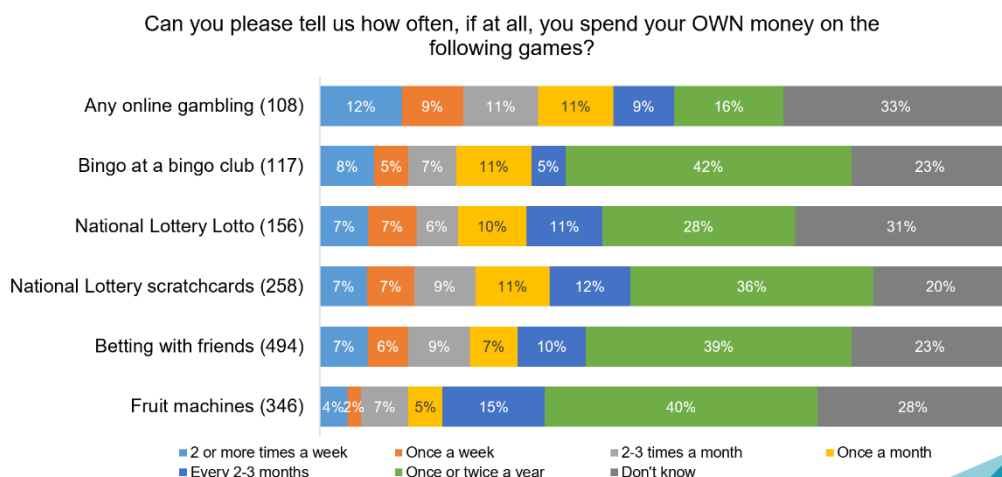
- 3.45. GambleAware commissioned a programme of research to explore the potential usefulness of industry data and behavioural analytics in the online gambling sector. Phase 1, which entailed a literature review and consultation with seven online operators, was published in April 2016. Phase 2, which focused on behavioural markers of problem gambling that could be identified from data, was published in August 2017.

- 3.46. The phase 2 study involved looking at the gambling activity of over 10,000 UK-based consumers from four large online gambling operators who had completed the PGSI screen and answered supplementary demographic and behavioural questions.
- 3.47. The study found that problem gamblers could be accurately detected using data currently held by operators using a set of 22 predictive markers to create a customer specific risk score. It also found that demographic markers could be used to identify higher risk consumers at account registration and that these could be enhanced by using behavioural markers such as bet value or day of week gambled.
- 3.48. The study suggested that interactions with consumers could be tailored based on different risk scores thus making interactions more appropriate and likely to be effective.
- 3.49. The use of data to adopt a more automated approach to identify potentially problematic gambling behaviour is likely to identify more at-risk consumers and reduce the number of false negatives caused by a current reliance on a more manual approach.
- 3.50. The study identified limitations with a single operator approach due to the significant level of consumers gambling with multiple operators.
- 3.51. Phase 3 of the programme will commence soon with the objective of developing, testing and refining an intervention strategy for minimising harm. This will build on the findings from the previous two phases of the programme and will pilot intervention options to identify if any are effective at reducing harm from online gambling.
- 3.52. This phase will involve operators trialling the use of detected behavioural markers to target specific interventions that are intended to modify and reduce problematic gambling behaviour. A variety of interventions will be trialled and evaluated to identify the most appropriate and effective ones. This work will be undertaken by the [Behavioural Insights Team](#) with trials expected to commence in Summer 2018 and the project completed in Spring 2019. If effective solutions are identified the Commission will expect the wider industry to adopt these.

Underage gambling/protecting underage from gambling-related harm

- 3.53. The latest survey (Young People and Gambling Survey 2017) aims to explore gambling behaviour among young people in Great Britain between the ages of 11-16. It found that of the activities asked about, online gambling is participated in most frequently, with the frequency increasing since 2016.

Frequency of participation



Base: All aged 11-16 who have participated in each activity, excluding not stated (sample sizes shown in brackets)
Source: Ipsos MORI Young People Omnibus 2017

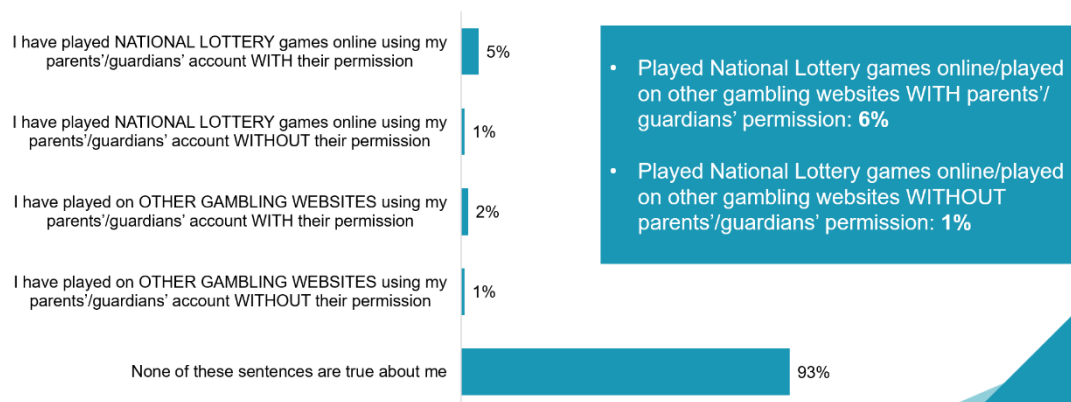
GAMBLING
COMMISSION

Gambling with a parents' account

- 3.54. Gambling online using parents' accounts remains an issue with similar results to 2016. National Lottery games online are the most common form of gambling using a parent's account. 1% of participants said they have played National Lottery games online using their parents'/guardians' account without their permission. Additionally, 1% have played on other gambling websites using their parents'/guardians' accounts without their permission. 5% have played National Lottery games online using their parents'/guardians' accounts with their permission. However, 93% have never gambled using their parents' accounts.

Gambling online using parents' accounts

Please read all of the sentences below and tick the sentences that are true about you



Base: All participants - 11-16 year olds in England, Scotland and Wales, excluding not stated (2,759)
Source: Ipsos MORI Young People Omnibus 2017

GAMBLING
COMMISSION

Online gambling-style games

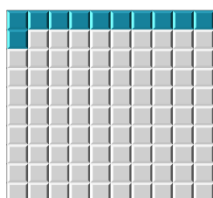
- 3.55. Online gambling-style games are games that look and play like gambling games but are free-to-play and do not have any age-restrictive barriers. These games do not offer any prizes but are of interest as a possible route into future gambling. 11% of 11-16 year olds have ever played online gambling-style games. This figure is up by 2% from 2016. Among the 11% who have ever played online gambling-style games, the most popular types were bingo games (16%), followed by casino games (15%), slot machine games (14%), and poker (13%). 61% had not played any of these in the past 7 days. Additionally, among those 11% who have ever played online gambling-style games 25% have gambled with their own money to try to win money in the past week. The fact that participation in online gambling-style games is rising may cause some concern as these products may be seen to normalise gambling amongst young people.

Online gambling-style games

Among those 11% who have ever played online gambling-style games:

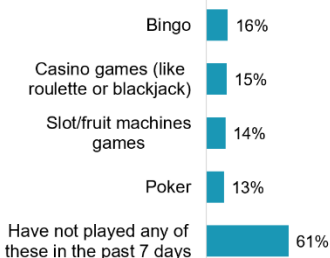
Have you ever played online gambling-style games?

Yes: **11%**



Base: All participants - 11-16 year olds in England, Scotland and Wales, excluding not stated (2,673)

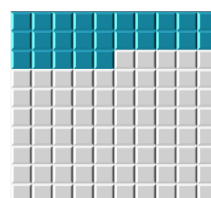
Have you played any of the following online gambling-style games in the past 7 days?



Base: 11-16 year olds in England, Scotland and Wales who have ever played an online gambling-style game, excluding 'don't know' and not stated (270)

Spent own money on any gambling activity in the past week:

25%



Base: 11-16 year olds in England, Scotland and Wales who have ever played an online gambling-style game (290)

Source: Ipsos MORI Young People Omnibus 2017

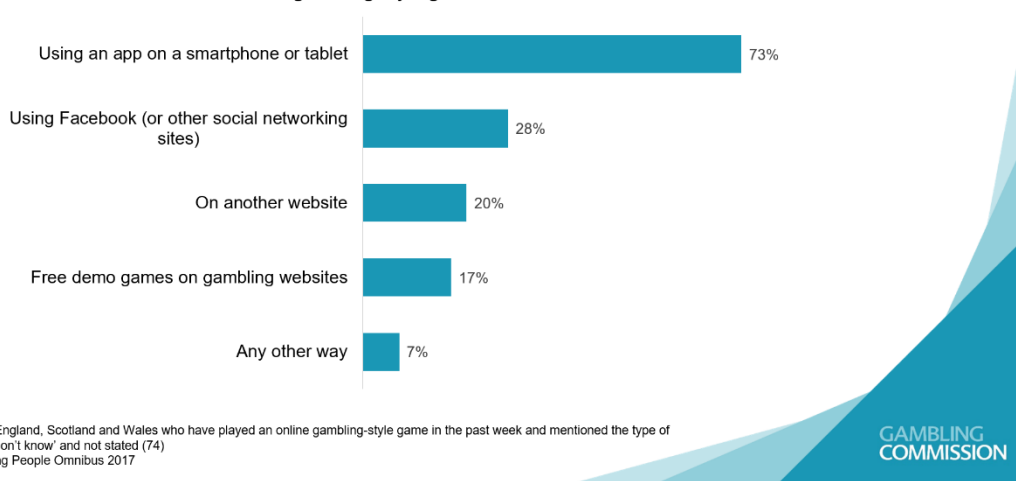
GAMBLING
COMMISSION

Mode of play

- 3.56. Using an app continues to be the most popular way to play online gambling-style games with 73% using an app on a smartphone or tablet. (Relatively low base – under 100). This is followed by Facebook or other social networking sites (28%), on another website (20%), and free demo games on gambling websites (17%).

Online gambling-style games: how played

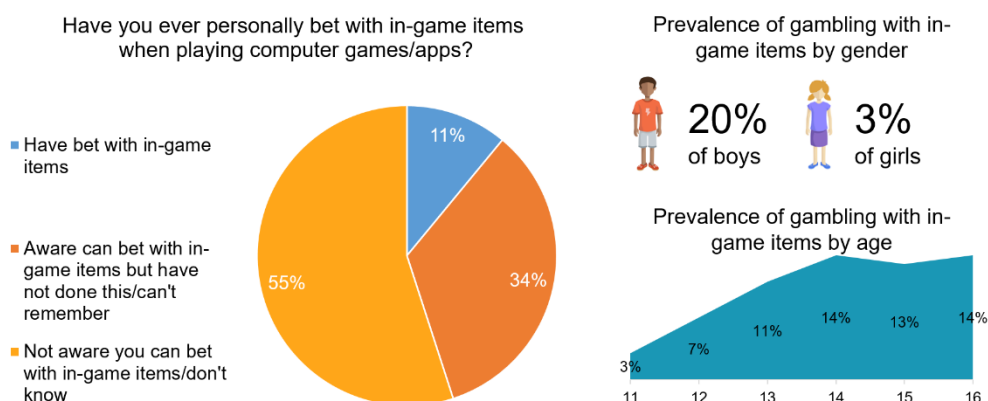
Still thinking about the past 7 days, how did you play these online gambling-style games?



Betting with in-games items on video/computer games

- 3.57. In-games items are any non-physical object collected for use in a game, examples include weapons, skins, avatars, currencies and spells. In-game items can be exchanged between players or purchased for use within the gaming platform. This is also known as 'skins' betting. 11% of children claim to have gambled with in-game items and 34% are aware of this activity, but have not participated. Gambling with in-games items has a higher prevalence amongst boys (20%) compared with girls (3%). Additionally, older children were more likely to have gambled with in-game items, only 3% of 11 year olds had done so compared to 14% of 16 year olds. These figures highlight e-Sports as an emerging market that may have some appeal to children, especially boys.

Gambling with in-game items



Base: All participants - 11-16 year olds in England, Scotland and Wales, excluding not stated responses at any part of the question (2,621)
Source: Ipsos MORI Young People Omnibus 2017

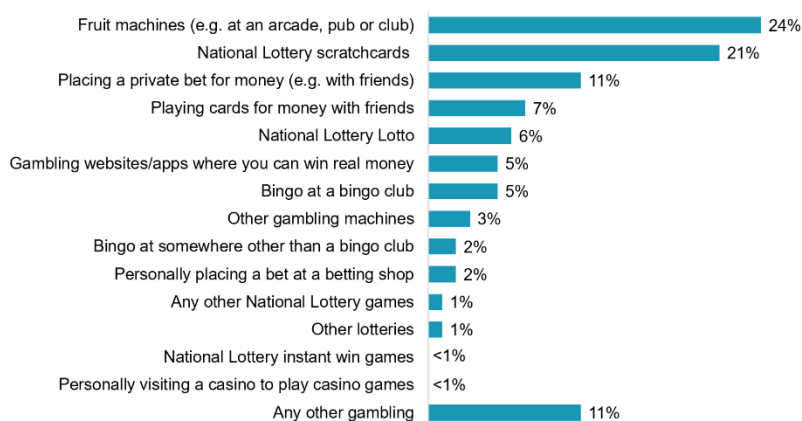
GAMBLING COMMISSION

First experience of gambling

- 3.58. Only 5% of children who gamble had their first experience of gambling for real money online. Fruit machines (24%) and scratchcards (21%) are the most common routes into gambling. 11% of children gambled for money for the first time because they had enjoyed playing free/practice versions of games online – there is no change in this statistic since 2016. 41% gambled for money for the first time because they thought it would be exciting, 40% did so to make money, and 33% did so because they thought it would be fun/entertaining.

First activity gambled own money on

What was the first activity that you ever gambled your own money on?



Base: All participants - 11-16 year olds in England, Scotland and Wales, except those who have never gambled for money, who can remember the first activity that they ever gambled their own money on (272)
Source: Ipsos MORI Young People Omnibus 2017

GAMBLING
COMMISSION

Reasons for gambling for the first time

Thinking about the first time you ever gambled for money, what made you try it?



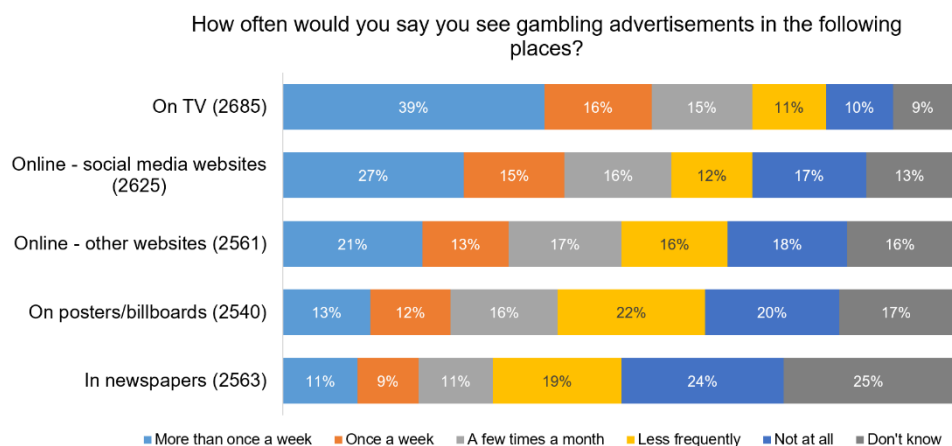
Base: All participants - 11-16 year olds in England, Scotland and Wales, except those who have never gambled for money, who gave a reason for gambling for the first time (322)
Source: Ipsos MORI Young People Omnibus 2017

GAMBLING
COMMISSION

Awareness of gambling advertising

- 3.59. Only 5% said they had gambled for the first time because they had seen adverts for it. The frequency of children seeing gambling advertisements on social media or other websites remains similar to last year. 70% of children have ever seen gambling adverts on social media, 27% said they had seen adverts on social media websites more than once a week and 21% said they had seen adverts on other websites more than once a week. This figure remains higher than exposure to gambling adverts via posters/billboards and newspapers.

Awareness of gambling advertising



Base: All participants - 11-16 year olds in England, Scotland and Wales, excluding not stated (sample sizes shown in brackets)
Source: Ipsos MORI Young People Omnibus 2017

GAMBLING
COMMISSION

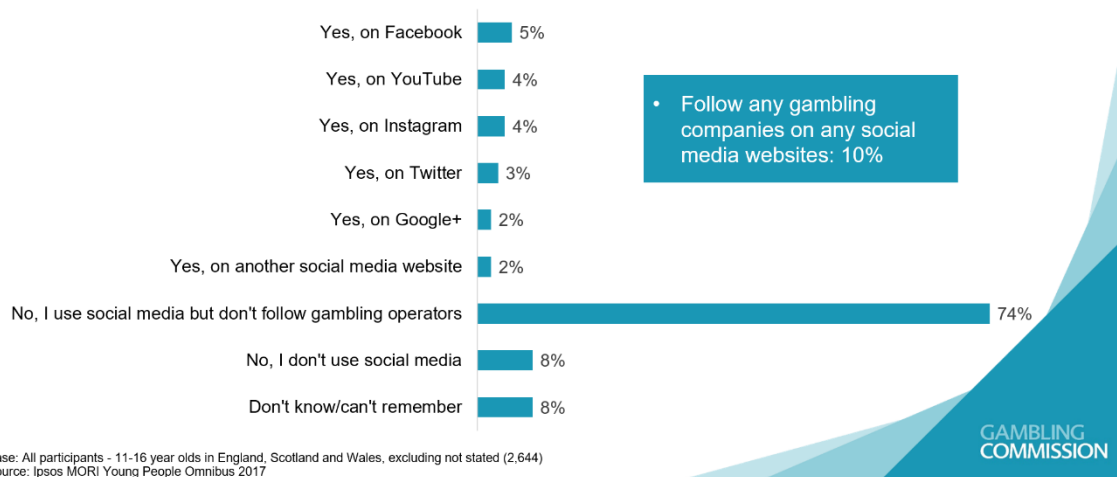
Gambling companies and social media

- 3.60. 10% of children follow gambling companies on social media – this is similar to 2016 (9%). Of the social media companies, Facebook is the most popular with 5% following gambling companies on the site, followed by YouTube (4%), Instagram (4%) and Twitter (3%).

The claimed impact on gambling behaviour of seeing posts on social media by gambling companies remains low, 69% said they had never gambled or seen posts on social media from gambling companies, 12% said seeing posts on social media didn't change the amount that they gamble. Only 1% said that seeing posts on social media prompted them to start gambling/increase the amount they gamble.

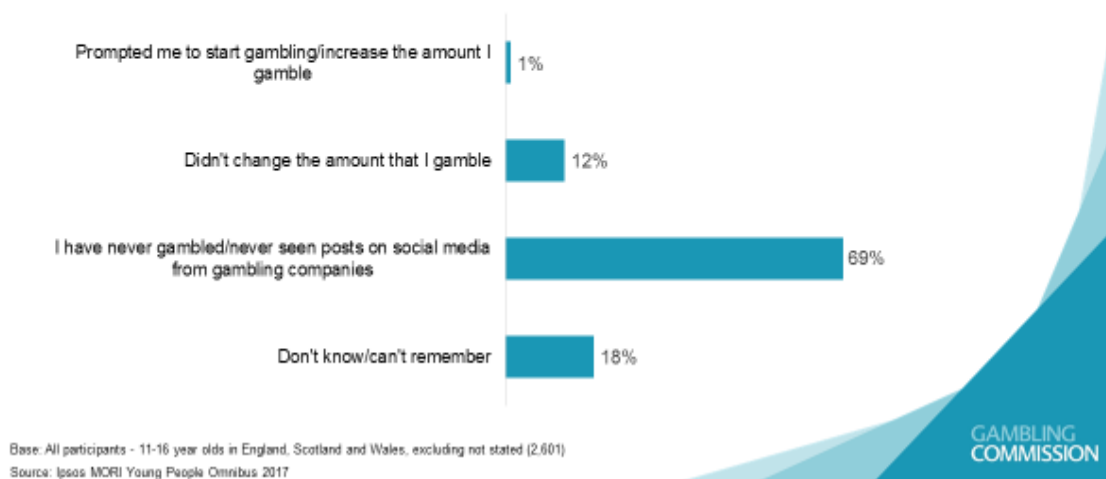
Gambling companies followed on social media

Do you follow any gambling companies on social media websites?



Impact of posts on social media by gambling companies

Which of the following statements best describes your gambling activity after seeing posts on social media by gambling companies?

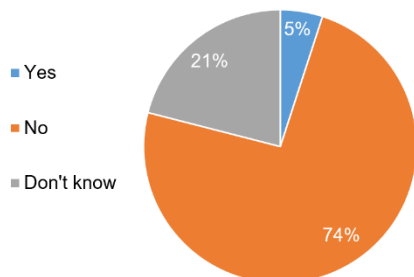


Barriers to play

- 3.61. Overall, 5% of 11-16 year olds had ever been stopped from gambling because they were too young. More than a third (37%) of children who have been stopped from gambling due to their age were prevented via a website or app. However, parents or guardians seem to perform this role predominantly with 59% of children who were stopped from gambling being prevented from doing so by their parents or guardians.

Whether 11-16 year olds have ever been stopped from gambling because too young

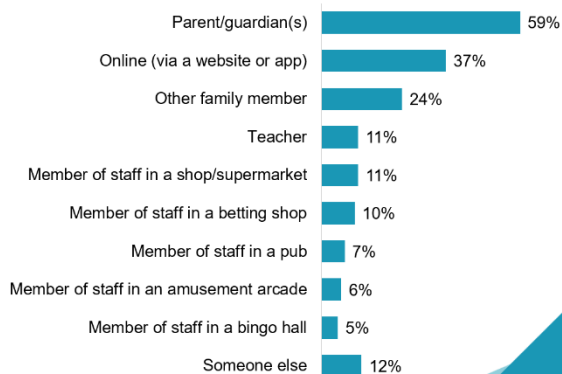
Thinking about gambling for money (this could be anywhere, including on the internet/apps), have you ever been stopped from gambling because you were too young?



Base: All participants - 11-16 year olds in England, Scotland and Wales, excluding not stated (2,611)

Source: Ipsos MORI Young People Omnibus 2017

Who stopped you from gambling for money because you were too young?



Base: All aged 11-16 who have ever been stopped from gambling because they were too young and can remember who stopped them (84)

GAMBLING
COMMISSION

4 Overview of key areas of activity

Unfair terms

- 4.1. The Commission is undertaking work to raise standards in the gambling industry, which includes work to improve the transparency of advertising and to address the potential use of unfair terms.
- 4.2. Together with the Competition and Markets Authority (CMA), which is the policy lead on unfair terms regulation, we have concerns about the general fairness and transparency of the terms and conditions that apply when consumers gamble online, and how they are being applied in practice by operators. In particular, terms and practices associated with gaming promotions and free bet offers.
- 4.3. In October 2016, the CMA opened an investigation relating to operators' gaming promotions and free bets/bonus offers. After gathering evidence about possible breaches from remote gambling operators, the CMA opened formal and targeted enforcement cases against a number of operators in June 2017. These enforcement cases centred on the possible breaches of consumer protection legislation relating to operator's promotions.
- 4.4. The CMA considers certain specific restrictions and conditions are likely to be unfair terms, regardless of how clear they are made. These include terms and practices where there are:
 - inadequate or unclear information about the restrictions and conditions that apply to the promotion before sign-up, making it difficult to evaluate whether they should take it up;
 - restrictions on the consumer's right to withdraw winnings made from gameplay with their deposit unless they meet extensive wagering requirements;
 - potentially unfair rules that restrict certain play strategies, on which firms rely to deny customers a pay-out when they come to claim their winnings.
- 4.5. In relation to free bets, there are concerns that operators are telling consumers that they are not eligible for the promotion only after consumers have placed qualifying bets. Furthermore, operators are placing restrictions on consumers who have placed qualifying bets, making it more difficult for them to benefit fully free bet offers. The CMA regards such retrospective restrictions as unacceptable and unfair.
- 4.6. On 23 June 2017, as well as announcing the opening of enforcement cases, the CMA opened a new line of enquiry into potential unfair terms and practices that could restrict customers' rights to withdraw monies in their online gaming and betting accounts. The CMA requested information from consumers on withdrawal issues in order to better understand the impact on consumers. The CMA have announced an investigation into such practices by [several operators](#). This may see the opening of further enforcement cases.
- 4.7. The CMA announced the outcome of the [first phase of work](#) at our Raising Standards conference on 21 November. On 1 February 2018, the CMA published the outcome of its enforcement action against three operators in relation to promotions. Three operators have formally committed to change the way they offer bonus promotions and these changes must be adopted across the whole online sector. The changes mean:
 - Players won't be required to play multiple times before they can withdraw their own money
 - Gambling firms must ensure that any restrictions on gameplay are made clear to players, and cannot rely on vague terms to confiscate players' money
 - Gambling firms must not oblige players to take part in publicity

- 4.8. At the same time, the Commission set out that it expects the rest of the industry to comply with principles set out by the CMA in order to demonstrate compliance with consumer protection law and with gambling licence conditions. The Commission will play a pivotal role in embedding outcomes from the CMA's enforcement action and will undertake compliance/enforcement activity to deliver sector-wide change. The CMA published a suite of documents for operators and a short video for consumers on what to look out for when taking up gambling promotions. Once the CMA has completed its investigation into the remote sector we plan to capture any lessons learned in guidance documents for the industry and ADR providers. We will also provide information to consumers about their rights in this area.

Marketing and advertising

- 4.9 The 2005 Act permits the advertising of gambling products and services provided that there are adequate protections to prevent such advertisements appealing to children and vulnerable people. Marketing and advertising is a critical element of the online gambling sector and is used extensively to attract and retain consumers.
- 4.10. The gambling advertising rules (contained within the UK Advertising Codes) are written and maintained by the Committees of Advertising Practice (CAP). The rules ensure that gambling advertising is not aimed at children or young people and that it does not leave vulnerable people open to exploitation and harm. The rules are enforced by the Advertising Standards Authority (ASA). Ofcom has a statutory duty under the Communications Act 2003 to maintain standards in broadcast advertising.
- 4.11. We expect that the marketing and advertising of gambling products and services should be undertaken in a socially responsible manner. In particular, we expect licensees to comply with the UK Advertising Codes and any relevant industry codes. These expectations are set out in the LCCP.
- 4.12. We have recently published a consultation which proposes enhancements to our requirements to address several of these issues:
- a) Elevate compliance with the UK Advertising Codes from an ordinary code provision to a social responsibility code provision¹² – serious or repeated breaches of the Codes could then be subject to the full range of our regulatory powers, including financial penalties.
 - b) Making clearer our existing requirements relating to how free bet and bonuses offers are advertised
 - c) Introduce a new social responsibility code provision requiring operators not to contact consumers with direct e-marketing without their informed and specific consent – this will enable us to take regulatory action, including issuing financial penalties in the event of breaches
 - d) Further clarify our position on responsibility for third parties – this builds on our experience from case work involving operators and their affiliates
- 4.13. We are working with the **City of London Police's Intellectual Property Crime Unit (PIPCU)** to tackle the issue of digital adverts for gambling operators appearing on websites which provide unauthorised access to copyrighted content, such as films, music and live sport. The UK's creative industries were worth £76.9 billion to the UK economy in 2016 but in recent years have come under increased threat from the piracy of their copyrighted works online. Gambling operators who advertise on these sites risk funding online criminals and providing seed money for other illegal activity, putting at risk the licensing objective to keep crime out of gambling.

¹² Ordinary code provisions do not have the status of licence conditions but failure to take account of them can be used as evidence in criminal or civil proceedings. Social responsibility code provisions must be adhered to by all licence holders

- 4.14. In July 2016 we introduced a new licence condition (*Responsible placement of digital adverts*) which came into effect on 31 October 2016 to help address the issue. We are continuing to work closely with PIPCU to tackle compliance failings and raise standards. Research published by PIPCU in June 2017 showed that there had been an 87% drop in adverts for licensed gambling operators being displayed on illegal sites that infringe copyright over the previous twelve months.
- 4.15. We are supporting the **Information Commissioner's Office (ICO)** to tackle unsolicited e-communications (spam email and SMS), which risk breaching the Privacy & Electronic Communication Regulations (PECR). We know from the ICO's monthly threat assessment that gambling is one of the most complained about sectors. Between October and December 2017 'Gambling' was the highest reported category for concerns, ahead of 'PPI' and 'Accident Claims'.
- 4.16. The ICO is responsible for enforcing PECR but we are working closely with them to raise awareness of requirements and assist, when necessary, with compliance and enforcement activity
- 4.17. At present the ICO's jurisdictional reach is limited mostly to the UK. The ICO can, and does, work closely with its international partners and equivalents to take appropriate action. If the sender and instigator of unsolicited e-marketing are based outside the UK, however, the ICO's ability to enforce the law directly is limited. We are therefore consulting on introducing a new LCCP code provision which will require licensed operators to ensure that they do not send marketing e-communications without the specific, informed and withdrawable consent of the recipient.
- 4.18. We continue to work with **CAP and the ASA** to tackle misleading marketing practices relating to free bets and bonuses, and adverts of particular appeal to under 18s. We have seen a marked improvement in standards with thousands of adverts amended or removed.
- 4.19. Our work has been supplemented by more robust enforcement action against businesses that have undertaken misleading advertising. In May 2017 we imposed our first financial penalty for advertising failings when we [fined BGO Entertainment Ltd £300,000](#). We have since imposed penalty packages on three additional operators [for £150,000](#), [£100,000](#) and [£350,000](#).
- 4.20. We have identified affiliates that advertise on behalf of gambling operators as a common source of misleading marketing and advertising. We do not regulate affiliates but our LCCP ensures that licensees are held accountable for the actions of any third parties, including advertising affiliates. As a result of our actions we have seen gambling operators take a tougher approach in this area. This has included much closer monitoring of their affiliates activities, removing those that breach advertising requirements and in some cases ceasing to use, or severely limiting the number of affiliates, to advertise their brands.
- 4.21. We have supported a piece of CAP-led work on gambling affiliates which will result in new guidance for operators.
- 4.22. We are working with **DCMS, CAP, ASA, RGSB and the industry** to better understand the scale, reach and impact of gambling advertising via social media. The Commission's online tracker survey found that 32% of people claim to follow a gambling company on Facebook, Twitter, LinkedIn, Google+ or Instagram in the year to December 2016, compared to 26% in the year to December 2015¹³. According to the Commission's Young People and Gambling 2017 report, 10% of 11-15 year olds follow gambling companies on social media. Although the CAP rules apply to online marketing and advertising it is a sphere which is arguably less tightly controlled than broadcast advertising and which has been subject to limited academic scrutiny.

¹³ [Young people and gambling 2017 report](#)

- 4.23. We have met with the main social media companies and are encouraging them to develop user friendly guides which will explain how, using the platform tools available, consumers can limit their exposure to gambling advertising.
- 4.24. In June 2017 CAP published new general guidance for advertisers on targeted advertising via social media which we expect advertisers of gambling products to consider.
- 4.25. As per the RGSB Research Programme (2017-19), GambleAware are currently commissioning a project to explore the effect of gambling advertising on children, young people and vulnerable people. This work will seek to explore whether gambling marketing and advertising influences children and young people's attitudes towards gambling, examine the tone and content of gambling marketing and advertising and the potential impact of this, and identify specific themes and features of advertising that children, young people and vulnerable groups are particularly susceptible to. It will also have a considerable focus on online advertising and social media.

Complaints and disputes

- 4.26. Fair, accessible and transparent complaints processes are an important factor in ensuring that gambling is consistent with the second licensing objective (ensuring that gambling is conducted in a fair and open manner)
- 4.28. In March 2017, we published our review of complaints processes in the gambling industry, which identified that existing complaints processes are not working as well as they should for consumers. We proposed a number of actions for licensees, for Alternative Dispute Resolution (ADR) providers, and for ourselves to improve the current arrangements.
- 4.29. For licensed gambling operators, we proposed that complaints should be more accessible, more transparent, and adhere to formalised timescales. As part of our review, we looked at a number of gambling operator complaints policies. We have also asked consumers for their experience of raising complaints, and found that:
- Complaints policies can be difficult for consumers to find as they are often contained in lengthy terms and conditions
 - Consumer complaints raised via social media and live chats may not be given the same consideration as those raised via formal procedures. Staff training may be required to support staff in those areas.
 - Only 39% of the sample we looked at provided information on expected timescales to resolve complaints to consumers, while only 17% stated that an ADR service was free to the consumer.
- 4.30. We worked with Resolver, an online consumer complaints submission tool, to make their service available to consumers of gambling products. The tool was rolled out to gambling consumers in August 2017 and over 450 complaints were raised via it in the first two months. Over 150 gambling companies are currently listed on the Resolver website.
- 4.31. We have received positive feedback about the service from consumers and are now looking into ways of raising its profile amongst gambling consumers.
- 4.32. For ADR providers, we are developing a set of additional standards to drive change and supplement the existing ADR regulations around customer service standards, quality of decisions, transparency of processes, sector efficiency, etc. We expect to put this framework into place during 2018/19.
- 4.33. In 2017, ADR providers dealt with 4,268 disputes, and identified the most common issues as bonus terms and conditions, disputed game settlements, and customer identity verification. As solutions, ADR providers suggested clearer terms and conditions and use of software to prevent or notify a customer exceeding the restrictions of a bonus offer.

- 4.34. We have been working with ADR providers, licensees and gambling industry trade bodies to develop our proposals.
- 4.35. We have also carried out some research into complaints and ADR schemes in other industries to determine best practice. Proposals include:
- Utilising KPIs (key performance indicators) to ensure ADR providers perform to high standards consistently
 - Collecting consumer feedback to measure ADR providers' quality of services
 - Implementing data sharing mechanisms to drive change and promote sharing learning from complaints.
- 4.36. We continue to seek views of gambling consumers to help ensure our proposals remain fair and open. We want to encourage gambling operators and ADR providers similarly to seek the views of consumers to make sure that their processes are fair and clear.
- 4.37. We are currently consulting on enhancements to our requirements to address several of the issues we identified with consumer complaints. These include:
- Timeliness of complaints handling – a proposal for licensees to operate to an eight-week standard for dealing with complaints
 - Minimising confusion about when a complaint may be escalated to an ADR provider – ensuring consumers know when they have exhausted an operator's complaints procedure and may therefore escalate it to ADR
 - Clarifying as far as possible what complaints an ADR provider may consider
 - Clarifying our reporting requirements

Gambling Commission compliance activity

- 4.38. The Commission's compliance resource is directed towards online operators using a risk based approach. Indicators of risk include, but are not limited to, an operators gross gambling yield, average customer spend, number of customers, previous compliance activity and consumer complaint data.
- 4.39. The operators with the largest market share have been identified and categorised as High Impact Operators. They are required to submit an assurance statement (similar to an internal statement of control), the content of which will be tested during corporate evaluations. Within this banding of operators there are 32 high impact operators offering online gambling facilities. It should be noted that due to mergers and market growth this number can fluctuate.
- 4.40. **Corporate evaluation** – an assessment conducted at corporate level where commitment to compliance will be expected to be demonstrated in practice throughout the core of the business. This will involve interviewing an operator from head office through to customer facing services and reviewing the operator's practices against the assurance statement submission.
- 4.41. **Assurance statements** – High impact operators are required to submit assurance statements annually. This is a three year pilot with the second year statements submitted in December 2017. Assurance Statements are designed to improve the focus on, and accountability for, the delivery of the licensing objectives by the boards, or equivalent senior leadership structures, of large gambling operators. The statements act as an operator's self-assessment of the risks to the licensing objectives posed by the business, management of those risks, areas for improvement and processes in place for implementation.

- 4.42. There are also other methods of assessing an online operator's level of compliance including:
- A full compliance assessment - a full review of the operator's practice which incorporates all relevant requirements of the Gambling Act 2005 and the Licence conditions and codes of practice.
 - A targeted compliance assessment - an assessment which identifies and tests one or more specific areas of the licence conditions and codes of practice.
 - A website/ mobile app assessment – a review of the information presented to consumers via online media.
 - A test customer account – a review of the information provided to a consumer within the members area of an online account.
 - An Information security audit (ISO 27001) - an audit conducted by a suitably qualified and independent third party which tests an operators information security against a recognised international standard.
- 4.43. Assessments can be conducted in the office by phone or Skype (desk based) or visits to premises. In the case of HIO operators a corporate evaluation is typically carried out at an operators' head office.
- 4.44. The majority of online gambling operators have been subject to one of the above forms of compliance assessment which has provided us with a better understanding of the risks that are posed to the licensing objectives. Further in depth follow up assessments are now being conducted by compliance staff. Operators are being asked to provide evidence that sufficient safeguards to the licensing objectives work in practice. Compliance activity involves the testing of policies and procedures to ensure they are effective and work in practice.
- 4.45. The following areas are currently seen as areas of risk for online operators:
- Anti- money laundering and terrorists financing
 - Marketing and advertising
 - Responsible gambling and self-exclusion information
 - Identification and engagement (customer interaction) with consumers exhibiting signs of harmful gambling behaviour
 - Management of VIP customers.
- 4.46. A lack of prompt and effective identification of consumers early in the relationship has been found to be a common weakness across several of these risk areas
- 4.47. If we find non-compliance we act proportionately. This will include education of the operator, the requirement of an action plan and/or corrective action. Where there is serious and/or persistent non-compliance we will consider regulatory action.
- 4.48. For example, in last year we conducted a thematic review which assessed the extent to which the online casino sector had met its anti-money laundering and social responsibility obligations. We found significant failings and have initiated investigations into a number of operators, some of which are facing licence review action. In January 2018, we wrote to all online casino operators outlining our concerns about the sector's approach to anti money laundering and social responsibility.
- 4.49. In January 2018 we wrote to all online casino operators setting out the failings we found and our expectation that the whole sector reviewed its policies and procedures in order to ensure their businesses were meeting or exceeding their regulatory requirements.

5 Policy recommendations

- 5.1. The online gambling sector has grown rapidly since the implementation of the Gambling Act 2005 and the shift to point of consumption regulation in November 2014 means the Commission can now have oversight of the whole industry.
- 5.2. As set out above, the Commission has undertaken a significant amount of work since 1 November 2014 and some of that work is still in progress.

Emerging policy considerations

- 5.3. As a result of our work we have identified that there are a number of areas where the regulatory framework should be updated to provide greater protection to consumers. We also sought advice from our expert advisers, the Responsible Gambling Strategy Board.¹⁴ The advice is attached as Appendix C.
- 5.4. We have separated the policy options into those where we think there is already a strong case for us to take action, and those where further investigation and assessment is required. This paper and the proposed work should be considered in conjunction with our corporate strategy 2018-21. The actions we have identified here follow the same principles to make gambling fairer and safer. The policy actions are set out below

Issues

Policy action 1 – age verification

- 5.5. We require licensees to have policies and procedures designed to prevent underage gambling, and to monitor these to make sure they are effective. Under the current requirements, operators have a period of 72 hours to carry out age verification (AV) checks (with dispensation applied if a consumer is using a credit card), during which time it is possible for a consumer to register an account and deposit funds for gambling.
- 5.6. It is difficult to build a full picture of the extent of underage gambling because a consumer might deposit, gamble and lose before the 72 hour AV period has expired. These individuals are also unlikely to respond to an operator's request to provide proof of age so an operator will not know whether they were underage or not. Nevertheless, it is clear that the window does present an opportunity for individuals to gamble undetected for up to three days.
- 5.7. The Young People and Gambling 2016 research study drew on data from an Ipsos Mori survey of 2,411 children aged 11 – 15, from schools in England and Wales. It found that 3% of 11 – 15 year olds had spent their own money on a form of online gambling, although this was far more prevalent among boys (5%) than girls (1%). The frequency of both genders was most commonly only once or twice per year.
- 5.8. Removing the 72 hour age verification period and dispensation for credit cards will impose additional costs on the industry, but many operators already age verify consumers before allowing them to gamble, regardless of whether the deposit is made with a debit or credit card. One of the original policy considerations for allowing an age verification window was that, in a point of supply regime, operators could base themselves in other jurisdictions which had lower regulatory burdens. Therefore, there was a risk that higher standards would drive operators to those jurisdictions which in turn would expose consumers to lower levels of protection across a range of areas. The implementation of point of consumption legislation now means British consumers have the same levels of protection regardless of who they gamble with, and therefore this consideration no longer applies.

¹⁴ Advice from Responsible Gambling Strategy Board on online gambling

- 5.9. Concerns have also been raised about the imagery used in some gambling products and the appeal it might have to young people. The Commission and the Advertising Standards Authority (ASA) wrote to operators setting out concerns around such products and, as a result, the industry has been reviewing both the games themselves and their marketing and advertising.
- 5.10. There are also more general concerns about the availability of play-for-free games that, whilst not gambling (as they are free and there is no prize), may encourage young people to gamble. At present the Commission has no requirements regarding access to play-for-free games¹⁵. We think it is appropriate for operators to provide greater protection.
- 5.11. We consider it prudent to remove the 72 hour window and dispensation for credit cards on a precautionary basis to reduce any risk of harm to children and young persons. We will consult on requiring all consumers to be age verified before they are able to deposit money and gamble. We also will consult on only permitting play-for-free games to be available to consumers that have been age verified.

Action 1

- a) consult on requiring all consumers to be age verified before they are able to deposit money and gamble
- b) consult on only allowing access to play-for-free games to consumers that have been age verified

Policy action 2 – customer due diligence

- 5.12. This should be considered in conjunction with *policy action 1*. Age verification does not on its own confirm that a person is who they say they are – it simply confirms that the details provided are for an individual who is over the age of 18. Requirements for due diligence checks exist only for online casinos and within the obligations created by anti-money laundering rules¹⁶.
- 5.13. Inadequate identification of consumers leads to several areas of regulatory risk:
- i. operators have insufficient knowledge of their consumers and are less able to a) prevent harm from gambling and b) prevent and detect criminal activity. **If gambling operators have more knowledge and information about their consumers at an earlier stage they will be better able to mitigate the risks in these two areas.**
 - ii. operators are treating consumers unfairly by only undertaking additional due diligence checks after players have spent significant amounts of money and/or gambling. This can mean that players are stopped or delayed from withdrawing their winnings on the basis of information discovered during these checks. **If this information is critical to operators and their decision as to whether to transact with consumers or not, it should be obtained much earlier in the consumer relationship.**
- 5.14. Our view is that introducing an LCCP requirement for operators to undertake a greater degree of due diligence earlier in their relationship with a consumer will:
- i. make responsible gambling and prevention of crime measures more effective
 - ii. reduce unfair treatment of consumers
 - iii. reduce the number of complaints to operators, ADRs and the Commission.

¹⁵ Remote Technical Standard 6 is our only requirement and is concerned with ensuring play-for-free games are offered fairly so as not to mislead consumers about the likelihood of winning

¹⁶ As a general rule, for remote casinos CDD must be applied on a risk sensitive basis (so the measures should be tailored to the risk attributed to the specific customer), but CDD is mandatory in respect of all customers who trigger the CDD threshold of €2000.

- 5.15. We will consult on introducing a customer due diligence requirement. This would require players to be verified before they were allowed to gamble. There is a rationale for merging the customer due diligence and age verification requirements into a single LCCP condition, and we propose to consult on both areas simultaneously. We will also consult on requirements that would mean operators had to set limits on players' spending which could only be increased once they had further verified information about the player, for example via an affordability check.

Action 2

- a) consult on introducing a new LCCP requirement for customer due diligence.
- b) consult on introducing a new LCCP requirement that mandatory account limits would be imposed until operators had further verified information about their players.

Policy action 3 – unfair terms advice

- 5.16 We continue with our joint programme of work with the CMA on unfair terms and misleading practices in the remote sector. On 1 February 2018, the CMA announced the outcome of its enforcement action, which set the standard of how the terms and conditions of promotional offers outlined by operators must be fair to their consumers.
- 5.17 As a result of this work we have committed to embedding the outcomes from the CMA's enforcement action and will undertake compliance/enforcement activity to deliver sector-wide change. The Commission will continue to work with the CMA to tackle other shared concerns about unfair terms and practices within the gambling sector and we will publish advice for operators once any further investigation and enforcement action by the CMA is completed. We will also publish advice for ADR providers and provide information to consumers about their rights in this area.

Action 3

Continue working to raise standards in the area of unfair terms and conditions and publish advice for industry, consumers and ADRs.

Policy action 4 – customer interaction

- 5.18. During 2017 we carried out a review of how the industry identifies and intervenes to assist players at risk of gambling related harm, and in September we published our plan of activity in this area. We have recently reached settlements with a number of operators who have breached our LCCP Codes on customer interaction, and published statements setting out serious failures in this area.
- 5.19. There is a significant amount of work being undertaken in the industry to develop and implement more effective approaches to customer interaction. This includes operators using data and developing algorithms to ensure that customer interaction is well-targeted. It also includes trialling and evaluating messaging to ensure it is appropriate and effective for the targeted consumers. However, despite this, we are concerned at the speed of progress.

- 5.20. We expect that to raise standards and increase the pace of improvements across the whole industry in this critical area of player protection, we will need to update the LCCP Social Responsibility Code 3.4 Customer Interaction, and we plan to launch a consultation on this by the end of 2018-19. Ahead of consultation, we have published guidance for the online sector, setting out some of the key factors that operators need to consider when implementing their approaches to identifying and preventing harm to consumers.

Action 4

Consult on the effectiveness of our existing customer interaction controls (LCCP 3.4) to embed good practice.

Areas of further work

Assess the effectiveness of the current consumer protections

- 5.21. The online gambling sector does not have any structural controls on stakes, prizes or speed of play as other sectors of the British gambling industry do. This is partly because online gambling is account based, consumers are known to the operator and all gambling activity is recorded. Online operators therefore have a significant amount of data with which to monitor consumer activity and ensure that their consumers can gamble safely.
- 5.22. We do not collect granular information on the gambling activity of consumers as part of our regulatory returns. We therefore obtained data from online operators in the following four areas in order to gain a greater understanding of how consumers gamble on online slots and non-slots products:
- a) net expenditure (within a month)
 - b) stake size (on gambles within a month)
 - c) frequency of gambling (days per month)
 - d) net expenditure by frequency (within a month).
- 5.23. Our summary findings showed the following:
- a) net expenditure:
 - i. 85% of slots players had a net loss in the month. Of these 58% lost less than £50 whilst 17% lost over £100 and 4% lost over £500
 - ii. 69% of non-slots players had a net loss in the month. Of these 54% lost less than £50 whilst 10% lost over £100 and 3% lost over £500
 - b) stake size:
 - i. 1/3 of stakes are 25p or under; 98% are £2 or under; 0.0002% (4,477 gambles) are over £500
 - ii. non-slots stake size – 25% are 25p or under; 67% are £2 or under; 0.2% (227,756 gambles) are over £500
 - c) frequency of gambling:
 - i. 80% of slots consumers and 87% of non-slots consumers gambled less than once per week
 - ii. 3% of slots and non-slots consumers gambled on 21 or more days per month
 - iii. 0.3% (3,414 accounts) of slots consumers and 0.2% (1,684 accounts) of non-slots consumers gambled on every day of the month.
 - d) Net expenditure by frequency:
 - i. For net expenditure under £500 on both slots and non-slots, the pattern of number of days gambled on was relatively smooth.
 - ii. For net expenditure over £500 on both slots and non-slots the pattern was much more irregular.

- 5.24. Failings in some areas of industry practice (customer interaction, casework and complaints) limits our confidence that operators are using consumer data effectively to prevent harm. We must encourage the industry to offer a safer gambling environment for their consumers by using the data they have available far more effectively.
- 5.25. The online industry is already undertaking some work in the area of data analytics. However, whilst the development of predictive models shows some progress, they are yet to be effectively trialled and evaluated. Furthermore, at this time, the use of such models is by no means widespread and their application tends to vary across the sector.
- 5.26. In addition, *policy action 4* references the need for the online industry to improve its approach to customer interaction in order to ensure that when potentially harmful behaviour is identified they can take appropriate and effective action.
- 5.27. We will look at the effectiveness of current gambling management tools. We will use these findings to decide whether we need to strengthen and expand the range of gambling management tools operators must make available to consumers, and look at ways to encourage more players to use the tools available. The Government set out its views in the Gambling Review consultation and called for the non-remote industry to trial and evaluate further player protection measures. The online gambling industry faces the same challenges and we expect the same endeavours for it to improve upon its existing approach.
- 5.28. We plan to investigate the effectiveness of mandating the setting of deposit limits on accounts, and this will be linked to *policy action 2*. Deposit limits are a good way for consumers to manage their gambling budget. Data provided by operators is limited and there are variations in business models which make operator to operator comparisons difficult, but it suggests some operators have fewer than 5% of consumers with financial limits whilst others have approximately 30%. A higher rate of setting limits does not necessarily mean higher levels of protection as the levels may be set inappropriately high. However, there does appear to be a lack of awareness amongst consumers of both the availability and benefits of setting limits which needs to be improved upon.
- 5.29. Whilst it would seem appropriate for all consumers to set a financial limit, it is also important that limits are tailored to the individual consumer and level of activity. It is possible that when required to set a mandatory account limit, a consumer will opt for the maximum available to delay interruptions, rather than choose a limit most suitable to their personal circumstances.
- 5.30. As set out above, we think there is merit in mandatory limits being set until operators have established sufficient knowledge about a consumer's gambling behaviour. This could, for example, offer some protection for new consumers who might be particularly exposed to the risks of gambling related harm. We plan to consult on this issue.

Action 5

We propose to conduct the following additional activity to ensure that the industry can protect consumers effectively in the online environment:

- a) obtain more data from the industry and focus on length of activity, compare to use of gambling management tool data (as initial exercise was not conclusive and highlighted limitations in the operators' ability to link data to gambling activity), and incorporate segmentation/disposable income data and indicators from the PWC work
- b) continue to encourage the industry to use the data they hold more effectively both through engagement and through a continuation of our compliance and enforcement activity
- c) work with the industry to review the effectiveness of existing gambling management tools in order to consider whether they can be improved, as well as considering new tools to improve the protections available to consumers.

Game characteristics

- 5.31. RGSB and the Commission have separately outlined concerns about how online games are designed and offered to consumers. Our concern is that game characteristics can be used to encourage and incentivise consumers to play for longer and/or spend more. Whilst it has long been a practice to offer extra rewards for loyal consumers (such as bonus prize draws after a month of qualifying play, or tickets to sporting events for long term VIP players), games can be designed to reward more intensive play within a gaming session. That immediacy and incentive to increase the current gaming session spend might not allow the player to reflect on their activity as they might when playing over a longer period of time.
- 5.32. Our remote gambling and software technical standards (RTS) consultation began to explore some of the issues associated with game design, but we quickly identified this as an area that required more investigation and research. The consultation reasserted the need for gambling products to be developed in a fair and open manner. We put the industry on notice that we intended to conduct further research and consider the issues more thoroughly, which should be taking into account when developing new products or features. In the meantime, we will not hesitate to intervene on a precautionary basis where game characteristics have the potential to cause harm.

Action 6

To investigate further the effect of certain product characteristics on gambling behaviour.

Customer funds and dormant accounts

- 5.33. Although the Commission requires all licensees who hold customer funds to ensure that these are held in a separate client bank account or accounts, we do not currently require customer funds to be protected in the event of insolvency. We require operators to use a ratings system to explain to consumers if and how their funds are protected. This information must be provided to consumers before they deposit funds.
- 5.34. The ratings used are:
- a) basic – no extra protection. Customer funds are held in accounts separate from business accounts, but would form part of the assets of the business if it went insolvent.
 - b) medium - There are arrangements (eg insurance) to make sure that assets in client accounts are distributed to customers if the company goes insolvent.
 - c) high - Customers' money is held in an account which is legally and in practice separate from the rest of the company. This account is controlled by an independent person or external auditor.
- 5.35. Our corporate strategy seeks to establish a market in which consumers are able to differentiate between operators on factors other than price alone. Existing Gambling Commission requirements, which aim to help consumers differentiate between different levels of customer funds protection, have had limited apparent impact on consumer behaviour. So, we will need to undertake further work into the various motivations underpinning consumer behaviour before deciding whether to propose any changes.
- 5.36. A quick analysis of the 19 largest online operators shows that nine offer 'basic' protection, five offer 'medium' and five offer 'high'. This means that 40% of customer funds are held in an arrangement that offers 'high' protection, 21% have medium and 25% have basic. We do not have information on the remaining 14%. Whilst the average level of customer funds held are generally low, some operators have high averages and we know from casework that some individuals keep significant sums in their accounts. Our requirements mean that consumers must see and acknowledge information setting out how their funds are protected, but it is not clear whether or not they understand the risks.

- 5.37. The treatment of dormant accounts was the subject of a report by Don Foster MP in December 2010. The report did not lead to any policy changes but the topic has remained on our radar.
- 5.38. The CMA may conduct some work in this area as a result of general concerns about operators restricting customers from withdrawing funds. The CMA is investigating whether the terms and practices around charging of account fees in the event that an account becomes inactive are likely to breach consumer protection law. Typically, where operators opt to do so they will have terms which allow them to apply a fee to accounts (fixed amount or percentage of the balance) after a period of dormancy, ie no activity in 6/12/18 months. Consumers are generally notified of these charges before they are applied to their account and the operator will often encourage them to either close the account and withdraw all funds or offer a 'welcome back' bonus.
- 5.39. Whilst we do not hold information on the number of dormant accounts, an industry analyst has privately stated to us that operators often seek to absorb the money into their bottom line as quickly as possible. We are also concerned that dormant accounts are vulnerable to theft either by employees or following a data breach.
- 5.40. Our view is that these funds belong to consumers and operators should make reasonable efforts to return them to consumers. Our experience shows that consumers can quite quickly forget about accounts and operators lose the ability to contact them because email addresses and mobile phone numbers change or are not used, and payment cards expire, meaning funds cannot be easily returned to source.

Action 7

We propose to undertake a package of work to assess the risks and options around customer funds and dormant accounts in order to assess whether to:

- a) amend the ratings system eg by changing 'basic' to 'no protection', and consider how to better inform consumers about the risks to their funds and how they can minimise these
- b) consult on mandatory protection of customer funds but ensuring we gain sufficient views from consumers as any additional protection is likely to see costs imposed on consumers in the form of lower odds or fewer bonuses.
- c) in conjunction with the CMA, ban, impose or enforce limitations on the practice of applying dormant account fees
- d) introduce requirements for operators to remain in contact with consumers so that funds are not 'orphaned' / lost track of. For example, require funds to be sent back to the payment method after a period of inactivity (such as 3 months) or if they cannot be returned that after a defined period (6/12 months) those funds are sent to eg charity.

Gambling on credit

- 5.41. Concerns have been raised regarding the offering of credit and allowing gambling on credit cards as it *increases the risk that consumers will gamble more than they can afford*. We support the principle that consumers should not gamble with money that they do not have.
- 5.42. Whilst we do not hold data on the prevalence of gambling on credit cards, operators have indicated that credit card payments can amount to 10% and 20% of deposits. We will consider prohibiting or restricting the use of credit cards and the offering of credit but will explore the consequences of doing so. For example the danger of some consumers switching to more risky and higher cost payment methods such as pay-day loans. Operators may also take some reassurance from the fact that credit cards are only issued

by banks following a credit reference check. However, recent research by [Citizens Advice](#) suggests that over a million people in financial difficulty have had their credit limits raised without asking, so this should not give operators much comfort.

Action 8

We intend to conduct further work on gambling using credit in order to develop a more comprehensive understanding of the issues before setting out some options in a consultation.

Withdrawal of funds and reverse withdrawals

- 5.43. RGSB advice and research by Jonathan Parke¹⁷ has highlighted this as a topic of concern, and this subject also has links to *policy action 2*. In some cases operators only undertake customer diligence checks at the point of withdrawal, which can delay the time it takes for consumers to access their funds. This is a common complaint amongst consumers and a key factor for deteriorating trust amongst gambling consumers. If operators were required to undertake due diligence checks earlier in the customer lifecycle (*see policy action 2*) this would reduce the need to conduct these at the point that consumers try to withdraw funds and greatly ease this problem.
- 5.44. 'Reverse withdrawals' is the term used to describe a facility that enables consumers to cancel their initial request to withdraw funds from their gambling account. The industry has indicated that the tool's main appeal is to allow consumers to gamble without having to re-enter their payment details. A further reason is that it has the benefit of reducing the number of payment transactions that operators are required to process. Each transaction will incur a fee and operators typically absorb these costs rather than pass them on, therefore lower volumes of transactions are beneficial for them. However adding friction to the withdrawal process is likely to mean that consumers that want to stop gambling and take money out of their account so they can manage their expenditure will be discouraged from doing so and therefore continue to gamble and lose additional funds.
- 5.45. Another barrier to withdrawing funds is due to operators having lower deposit limits than withdrawal limits. For example they will accept a £5 deposit but there is a £20 minimum withdrawal. Operators will state that the primary reason for this is to reduce the number of payments processed (ie discourage very small withdrawals). But one result is that consumers may spend money they otherwise would have withdrawn. Another is that they may be required to make a further deposit in order to reach the £20 minimum withdrawal threshold, but having made that deposit they may potentially spend some of it. Ultimately it makes it less convenient for consumers to get their own funds and may be unfair.
- 5.46. RGSB's advice recommends that the process of withdrawing funds be as quick and accessible as the processing of deposits. The advice also identifies reverse withdrawals as a high risk indicator, though it accepts that there is a lack of clear empirical evidence about the effects this may have. We encourage operators to explore whether the ability to switch off reverse withdrawals could constitute an effective consumer protection tool and help reduce harm.
- 5.47. The CMA has also raised concerns about some of the practices associated with withdrawing funds. We will propose changes in this area in due course in order to ensure there is greater consumer protection by enhancing fairness and reducing the potential harm to at-risk consumers.

¹⁷ Getting Grounded in Problematic Play: Using digital grounded theory to understand problem gambling and harm minimisation opportunities in remote gambling, Dr Jonathan Parke and Dr Adrian Parke.

Action 9

Use the outcomes of the CMA investigation to inform our work on withdrawal of funds and gather evidence on the use, and potential risk of harm, associated with reverse withdrawals.

Next Steps

- 5.48. We are committed to consulting on changes to our regulatory framework in order to ensure they can be fully considered and any new or amended requirements both meet the regulatory need and can be appropriately implemented by licensees.
- 5.49. We are currently developing our business plan for 2018/19 and are seeking to incorporate these recommendations into this, taking into account already planned work and the urgency/importance of the proposed changes.

March 2018

making gambling fairer and safer

www.gamblingcommission.gov.uk

Appendices

Appendix A

Figure 8

Casino	In-person	Online	Crossover	Difference between in-person and online
2013	74	47	21	27
2014	62	52	14	10
2015	71	58	29	13
2016	59	59	18	-1
2017	59	69	28	-10

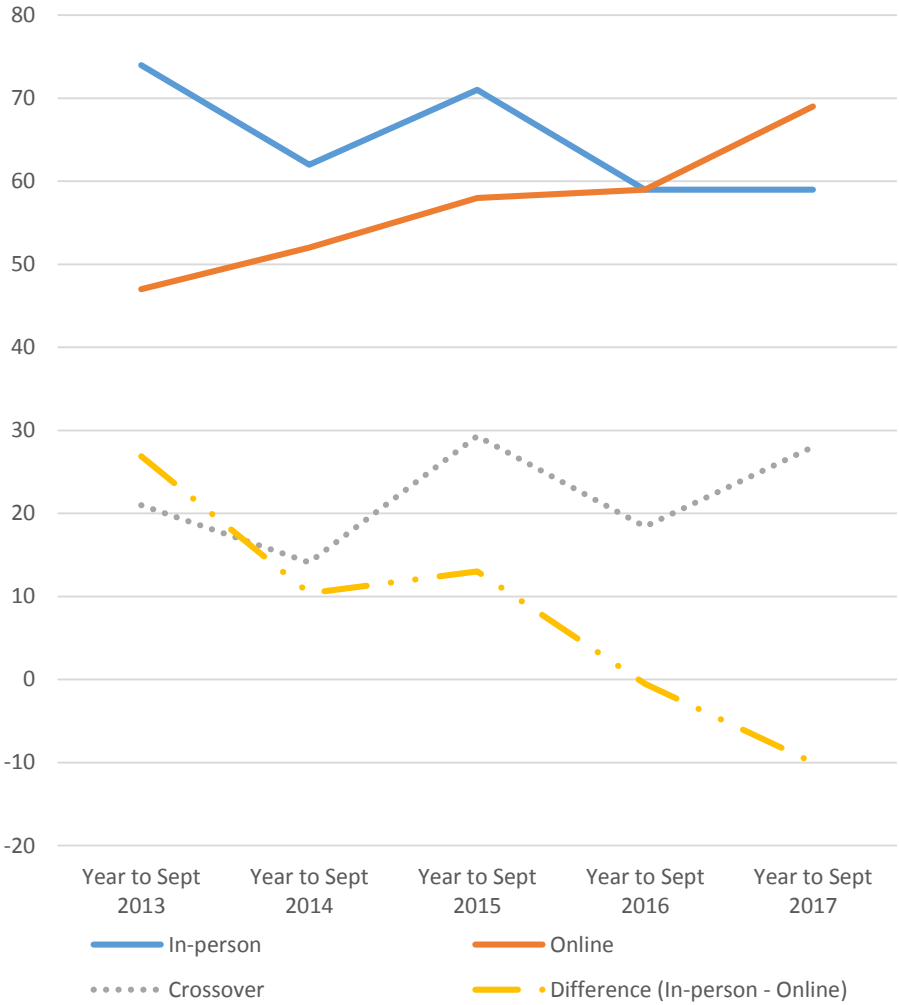


Figure 9

Bingo	In-person	Online	Crossover	Difference between in-person and online
2013	87	19	6	68
2014	71	29	1	42
2015	79	24	3	55
2016	80	26	6	54
2017	73	34	7	39

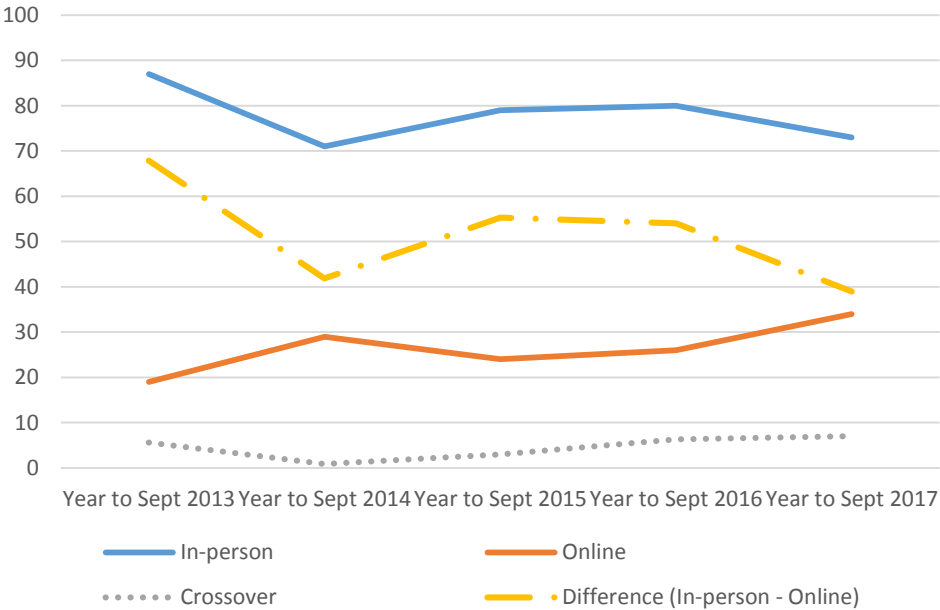


Figure 10

Horse races	In-person	Online	Crossover	Difference between in-person and online
2013	74	35	9	39
2014	77	27	4	50
2015	68	35	3	34
2016	67	50	17	18
2017	70	42	12	28

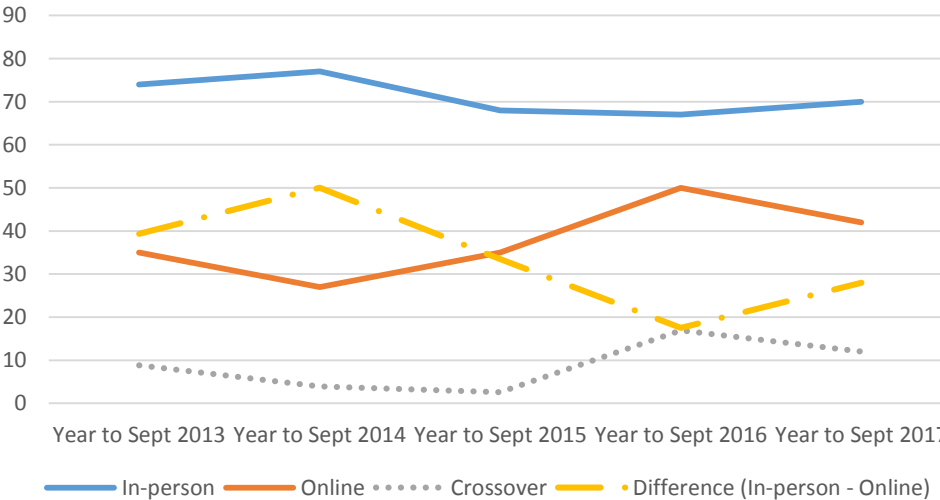


Figure 11

Dog races	In-person	Online	Crossover	Difference between in-person and online
2013	84	22	6	62
2014	79	21	0	58
2015	84	16	0	67
2016	79	33	12	46
2017	78	36	14	42

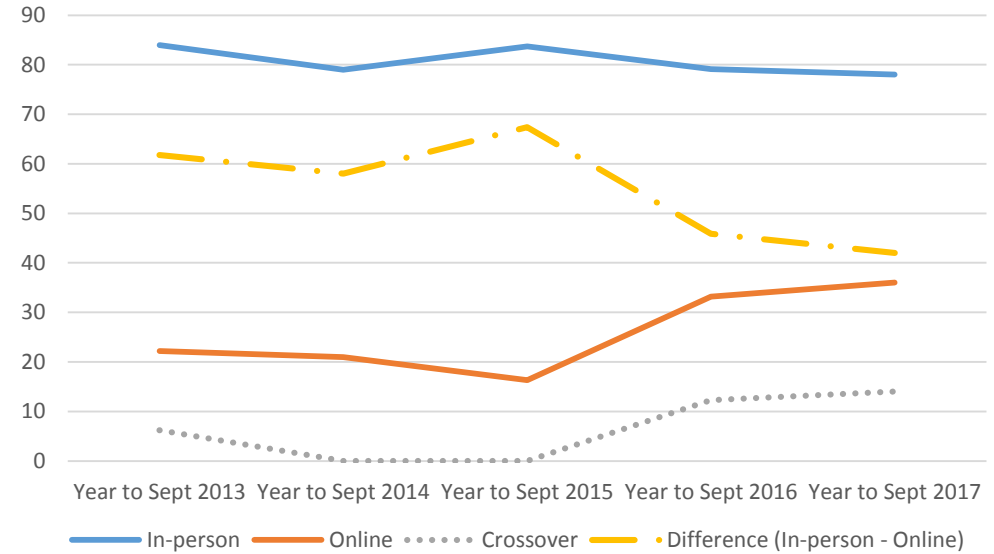
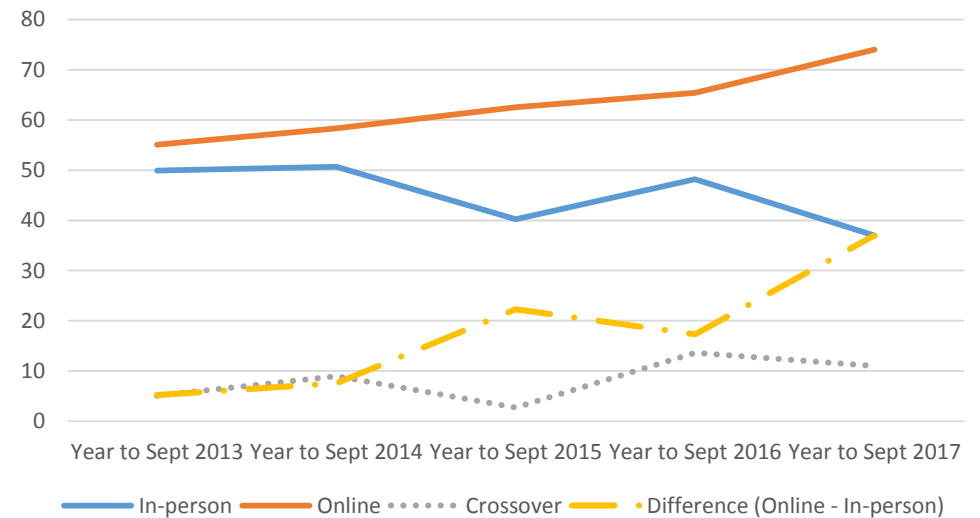


Figure 12

Sports betting	In-person	Online	Crossover	Difference between in-person and online*
2013	50	55	5	5
2014	51	58	9	8
2015	40	63	3	22
2016	48	65	14	17
2017	37	74	11	37



*Difference in Figure 8-11 determined by subtracting online from in-person. Difference in Figure 12 determined by subtracting in-person from online due to higher number of online participants.

Appendix B

Figure 13a

	Population	Casino online players
National Lottery Draws	27.4	47.7
Another Lottery	11	15.9
Bingo	3.5	7.6
Scratchcards	11.2	48.4
Horse races	4.3	34.4
Fruit or slot machines	4.7	33.8
Sports betting	6.6	63.2
Dog races	0.9	17.9
Football Pools	1.7	24
Online slot machine style games / instant wins	1.4	38.1
Virtual gaming machines in a bookmakers	1.4	44.4

Figure 13b

	Population	Bingo online players
National Lottery Draws	27.4	53.6
Another Lottery	11	29
Scratchcards	11.2	46.9
Horse races	4.3	17.1
Fruit or slot machines	4.7	28.2
Sports betting	6.6	19.7
Dog races	0.9	8.2
Football Pools	1.7	10.7
Online slot machine style games / instant wins	1.4	36.7
Virtual gaming machines in a bookmakers	1.4	14.7
Casino	1.7	11.8

Figure 13c

	Population	Horse races online bettors
National Lottery Draws	27.4	56.1
Another Lottery	11	16.5
Bingo	3.5	8.3
Scratchcards	11.2	24.1
Fruit or slot machines	4.7	19.9
Sports betting	6.6	73.9
Dog races	0.9	18
Football Pools	1.7	15.4
Online slot machine style games / instant wins	1.4	18.3
Virtual gaming machines in a bookmakers	1.4	16
Casino	1.7	19

Figure 13d

	Population	Football online bettors
National Lottery Draws	27.4	44.1
Another Lottery	11	12.6
Bingo	3.5	5.1
Scratchcards	11.2	27.4
Horse races	4.3	37.7
Fruit or slot machines	4.7	20.6
Dog races	0.9	9.3
Football Pools	1.7	16.7
Online slot machine style games / instant wins	1.4	11.6
Virtual gaming machines in a bookmakers	1.4	15.4
Casino	1.7	20.8

Advice from Responsible Gambling Strategy Board on online gambling

Introduction and background

1. This paper sets out the Responsible Gambling Strategy Board's initial thinking on opportunities to reduce harm caused by online gambling. It was produced following a series of visits and discussions with remote operators. We will continue to review the remote sector and developments in it. We may, as a result, offer further recommendations for the Gambling Commission Board to consider in 2018.
2. The advice is structured around seven high level principles, set out below. For each principle, we set out our conclusion about its implications and suggestions about steps the Commission might wish to consider taking in response.

Principle 1:	<i>In the absence of any restrictions on game characteristics, the package of protections which surround a product must be significantly, and demonstrably, stronger.</i>
Principle 2:	<i>Gambling with borrowed money, including through the use of a credit card, is a risk factor and therefore consumers' ability to gamble with credit should be restricted.</i>
Principle 3:	<i>To the maximum extent possible, consumers should be able to withdraw funds as easily as they are able to deposit them.</i>
Principle 4:	<i>Gambling operators should ensure their customers are 18 or over at the point of registration, not some later point.</i>
Principle 5:	<i>Encouraging a consumer to take greater gambling risks is not the same as upselling in other retail and commercial contexts.</i>
Principle 6:	<i>Responsible gambling information should be accessible, prominent and engaging.</i>
Principle 7	<i>Operators should dedicate as much energy and creativity to player protection as they do to their commercial activities, and should commit resources to it in sufficient quantity to reflect its importance.</i>

Advice

Principle 1: *In the absence of any restrictions on game characteristics, the package of protections which surround a product must be significantly, and demonstrably, stronger.*

3. Gambling products offered online have no regulatory restrictions on structural characteristics such as size of stake, size of prize, and speed of play. This is the case even when they are very similar, or identical to, land-based games which are subject to well established restrictions on all these characteristics. On the face of it, that is illogical.
4. The difference in the treatment of on and off-line gambling is often justified by the fact that all online gambling is, by its nature, account-based. Account-based play, in principle, allows online operators to do more with player data, and offers the potential for stronger responsible gambling tools.
5. Controlling the structural characteristics of games might be considered a blunt instrument. But in combination, for a given level of return to player (RTP), restrictions on speed of play and size of stake can potentially limit losses and make the environment safer for many consumers. An absence of these controls can be justified only if other strong and effective player protections are in place. When there are no restrictions on games' structural characteristics the package of protections surrounding the product ought to be significantly, and demonstrably stronger.
6. In practice, however, we are not persuaded that online operators are yet using data from account-based play sufficiently or effectively enough to justify allowing the different regulatory treatment compared with land-based play to persist¹. Despite some promising research,² efforts to develop algorithms or other measures to identify potentially harmful play are still in their early stages of development. Effective interventions to reduce harmful play have yet to be piloted and evaluated on any scale.
7. We recognise this cannot be an overnight process, and that a number of potentially useful plans are in place. But we take the view that a greater degree of urgency is required. Unless the industry is able to demonstrate in the near future that it is actively and effectively piloting and robustly evaluating player-protection measures, serious consideration should be given to imposing restrictions on the structural characteristics of online games.
8. There are bound to be concerns about potential diversion to the black market if restrictions are placed on on-line games. Great Britain is believed to be the only European country without an online gambling black market of any significance³. If consumers are inconvenienced they may be tempted to switch their play to illegal sites. It is important, however, not to overstate this risk. The Commission has an extensive package of disruption activity (preventing unlicensed operators from advertising, appearing in search engine results, and accepting mainstream payment

¹ Our Strategy [Progress Report 2016-17](#) highlights areas where there has been a lack of progress.

² [Remote gambling research, interim report on phase 2, PwC, August 2017](#)

³ [Operator-based approaches to harm-minimisation in gambling: Summary, review and future directions](#), A Blaszczynski, A Parke, J Parke, J Rigbye, 2014

methods); and the extent of any diversion is likely to depend on the nature of any imposed restrictions, and their proportionality.

9. If new restrictions on online play are introduced, however, the extent of any diversion to illegal markets is one of the factors which will need to be kept under review.

RGSB view: *In the absence of restrictions on the structural characteristics of online games, the package of protections surrounding online gambling should be significantly and demonstrably stronger. The National Responsible Gambling Strategy sets out a clear vision of what this should look like. Operators should be required to show they are identifying players who are at risk of suffering harm and are taking effective actions to reduce this harm through suitable player protection interventions and gambling management tools.*

We recommend that the Gambling Commission considers asking the government to make it clear to the online gambling industry that, if it is unable to demonstrate quickly that it is leading the responsible gambling agenda on this issue, the government will give serious consideration to imposing restrictions on the structural characteristics of games played online.

Principle 2: *Gambling with borrowed money, including through the use of a credit card, is a risk factor and therefore consumers' ability to gamble with credit should be restricted.*

10. Gambling with borrowed money is already well established as a risk factor for harmful gambling. It is directly recognised within problem gambling screening tools such as the PGSI, which asks 'have you borrowed money or sold anything to get money for gambling?'
11. At present, customers can gamble online with borrowed money in a number of ways, including using credit cards, taking advantage of overdraft facilities attached to debit cards, or using funds obtained via a payday loan. Operators will usually be aware of customers gambling with borrowed funds only when credit cards are used.
12. Concern about gambling using credit cards is particularly acute when card spend on gambling sites is treated by the card issuer as a cash advance. Such spending is subject to a transaction fee, is charged at a higher rate of interest, and tends to attract interest immediately. The cost of gambling with a credit card is so high that it is hard to envisage why consumers would choose to pay in that way, unless it was to gamble with money not otherwise available to them.
13. There is evidence suggesting that access to additional funds is a significant risk factor for in-venue gambling.⁴ It is reasonable to assume this to be largely transferable to an online environment. If anything, the risk is potentially greater in online, because of the greater accessibility it offers and how people view virtual representations of money compared with physical cash.

⁴ [Prevention of Problem Gambling: a comprehensive review of the evidence and identified best practices](#) (page 71), Williams, West & Simpson, October 2012

14. We recognise that online gamblers can also load e-wallets using credit cards. However, operators should not draw consumers' attention to this possibility, nor encourage them to do it. Although consumers may still be able to find ways around a ban on credit cards for gambling, a ban would still create an additional barrier which could reduce harm for some players.
15. Debit cards are not widely available in all other jurisdictions. If restrictions are placed on gambling by credit card, consideration would therefore need to be given to the position of non-GB based players using GB-licensed sites. This should not be used as a reason for not taking action that would protect GB-based consumers.

RGSB's view: *Gambling with borrowed money significantly increases the risk that consumers will gamble more than they can afford. For this reason, we think restrictions should be placed on consumers' ability to gamble online with credit.*

We recommend that gambling online with a credit card is prohibited. Consumers may find ways to bypass this restriction (such as loading e-wallets from credit cards), but operators should neither draw consumers' attention to this possibility, nor encourage them to take advantage of it. It would also be valuable for the Commission to continue existing dialogue with e-wallet providers to explore whether restrictions can be placed on their use when linked to credit cards.

Principle 3: *To the maximum extent possible, consumers should be able to withdraw funds as easily as they are able to deposit them.*

16. Customers can instantly and easily deposit funds for online gambling. The process is usually clearly signposted and easily accessed on gambling websites. In contrast, the process for withdrawing funds is rarely as quick and convenient. There are often significantly more impediments or barriers to withdrawing funds. This leads to consumers experiencing a disparity between instant deposits of funds with which to gamble and a period of several days for the credit of winnings or withdrawal of funds from accounts.
17. This is not just an issue of fairness and transparency, matters which are already being considered by the Gambling Commission and the Competition and Markets Authority through a review of unfair terms and conditions. There are wider implications for gambling-related harm.
18. Gambling-related harm is more likely to occur if consumers are impeded in their decisions about how much they can afford to spend. Delays and obstacles to withdrawing funds clearly have the potential to increase this risk. The impact is likely to be most severe for problem gamblers, who are already most likely to find it difficult to stop gambling before it becomes harmful.
19. Anti-money laundering (AML) considerations might give legitimate reasons for delay in some cases. In general, however, operators could and should give more attention to identifying ways to speed up the payment process so that it is as close as possible to the speed at which consumers can deposit.
20. Many online gambling operators offer the facility for consumers to cancel or reverse their decision to withdraw funds. There is, as yet, a lack of clear empirical evidence

about the effects this may have. But it seems likely that the feature may be a risk factor for problem gambling.⁵ Operators should be aware of this and factor it into their efforts to detect problematic play.

RGSB's view: *Gambling environments should be designed to support and facilitate, rather than challenge and inhibit, a consumer's decision to withdraw money. The mechanisms for depositing funds within an online gambling site should be largely comparable with those for withdrawing them. Withdrawal options should be as prominent and accessible as those for deposits. In the longer-term, consideration should be given to more innovative approaches to withdrawal, such as the instant crediting of wins over a certain size, provided customers have already satisfied the necessary anti-money laundering checks.*

We recommend that the Commission make it clear to operators that the speed at which winnings are paid should be increased to broad equivalence with the speed with which consumers can deposit. If operators are unable to do this, we recommend that serious consideration should be given to prohibiting the facility of reversing pending withdrawals. Other options include offering the facility for consumers to voluntarily opt in (or out) of the ability to reverse withdrawals. If operators are allowed to continue offering a reverse facility, we recommend that they should not be permitted to send targeted marketing to people with a pending withdrawal.

Principle 4: *Gambling operators should ensure their customers are 18 or over, and start building a better understanding of who their customers are, at the point of registration, not some later point.*

21. At present, online gambling operators have a period of 72 hours to confirm that a customer registering on their site for the first time is 18 or over. If checks are conducted (i) towards the end of the 72 hour period or (ii) at the moment of registration, but with inconclusive results which require additional identification,⁶ the result is that consumers can deposit money, and gamble, for up to 3 days before their age has been established.
22. The 72-hour period is a long-standing regulation. We are not aware, however, of any specific justification for this particular duration of time. It is possible that, as a result of technological change, any rationale that underpinned this requirement at the time of its introduction no longer remains valid today.
23. As far as we are aware, there is no compelling evidence of widespread online gambling by under 18s. But it is unacceptable that even the possibility exists that young people under the age of 18 could feasibly gamble for a period of up to 72 hours.
24. There are no other requirements for operators to conduct 'know your customer' (KYC) checks on their customers other than age verification and obligations created by anti-money laundering rules. There are, however, benefits to harm minimisation if

⁵ Getting grounded in problematic play: using digital grounded theory to understand problem gambling and harm minimisation opportunities in remote gambling, J Parke & A Parke, [publication forthcoming]

⁶ Note: Once the 72 hour period has elapsed, no further gambling (and no deposits or withdrawals) will be permitted if the consumer has been unable to verify their age/identity.

operators know more about their customers at the start of the commercial relationship. Identification of potentially harmful play is greatly assisted if operators can verify other key personal characteristics at the point of registration, such as whether someone is unemployed.⁷ The use of employment status and residential addresses are routinely used in the financial services sector to assess risk and credit scores. The same information, obtained at the point of customer registration could be used by the remote sector to improve the predictive power of algorithms designed to detect harmful play.

25. Proactive steps of this kind could be especially important since online gambling is available at all times of day and night, accessible from anywhere, and presents virtually unlimited opportunities to gamble. Initial deposits might also be quite large, since many sign-up offers incentivise larger deposits. A significant amount of harm can be incurred in even a short period.
26. There is potentially also a fairness issue. Newly registered consumers might assume they have 'passed' all the necessary checks upon registration, especially as they are able to deposit money and gamble, only to be asked for further identification when they attempt to withdraw funds, or at some point in the 72 hours following registration.

RGSB's view: *We are not aware of any persuasive reason why all online gambling operators should not be required to conduct (automated) age verification checks at the moment of initial registration. There will be some new registrants whose age cannot conclusively be verified by an automated process. These consumers should not be permitted to deposit money, or gamble, until they have satisfied the necessary follow up checks.*

Responsible online gambling operators should want to know as much as they can about their customers from the moment of initial registration. Such an approach confers a number of clear benefits in terms of detecting potentially problematic play. Operators should consider whether they can do more to increase their knowledge about who their customers are, and what they might be able to afford, at the point of registration before AML-related obligations are triggered.

We think that operators should be required to conduct age-verification checks either at the point of initial registration or at first deposit. This would mean that consumers who cannot be verified as 18 or over should not be able to gamble until they have satisfied further follow up checks. As part of the work triggered by the recently published research on using data to detect harmful play, we think that the Commission should encourage operators to collect additional data at the point of registration in order to improve predictive accuracy of algorithms to detect problematic play. In the longer-term, we recommend mandating the provision of standardised information, such as employment status, at the point a consumer initially registers with a gambling site.

⁷ The opportunities for player protection using data collected on registration are demonstrated in the recently published report on the use of player data and algorithms to identify harmful play: [Remote gambling research, interim report on phase 2, PwC, August 2017](#)

Principle 5: Encouraging a consumer to take greater gambling risks is not the same as upselling in other retail and commercial contexts.

27. Some gambling products include features that reward players for playing with higher stakes, or for a longer time, with an increased return-to-player percentage or access to additional bonus content. Games which incentivise longer play or higher staking increase the risk consumers will spend more than they can afford. Proportionate safeguards need to be in place to mitigate this risk.⁸
28. There is limited empirical evidence on this issue. We take the view, however, that on a precautionary basis, incentives which encourage a customer to stake at higher levels, or play for longer periods, should not be permitted unless those offering them can demonstrate they are adequately controlling the elevated risks they present.
29. As required by the LCCP and Remote Technical Standards, operators should also be able to demonstrate that game structures are fair and transparent, and that consumers understand how they work, particularly when changes occur midway through play.
30. Some online games may allow gamblers to save their progress, so they can resume at the same point on another occasion, rather than lengthening their current session of play. The industry is also looking to increase the possibilities for players to continue the same game across laptops, tablets and mobile phones to make the experience as all-immersive as possible. We do not know what effect these possibilities will have on the risk of harm. It is possible that greater potential to resume play at another time may be less harmful, as it may reduce very long single sessions and introduce the potential for reflection when customers end and save their session. On the other hand, it could encourage players to play for longer or spend more than they can afford, or return and chase loses. These are all potential indicators of problematic gambling. Unless and until further evidence becomes available, operators should be expected to demonstrate they are adequately mitigating the increased risks such products could present.
31. There is a wider issue of inducements and encouragements to gamble, such as VIP and loyalty schemes. This issue is not unique to online gambling. But it may be particularly acute there because of the potential for cheap, instant and targeted marketing.

RGSB's view: *Game features which incentivise longer play or greater spend elevate the risk that consumers will spend more time and money than they planned, or can afford. Games with these features need to be surrounded by stronger protections.*

Games which incentivise longer play and higher staking do not seem consistent with the principles of responsible gambling. We think they should only be offered if operators can demonstrate they are effectively controlling the risk associated with them. If they are unable to do so, we recommend that the Commission should give serious consideration to prohibiting the practice. We also think the Commission should continue to encourage those operators who design and produce games to consider

⁸ [Key Issues in product-based harm minimisation: Examining theory, evidence and policy issues relevant in Great Britain, J Parke, A Parke, A Blaszczyński, December 2016.](#)

explicitly responsible gambling implications, and not just fairness-related issues, when designing games. The Commission may also wish to consider the risk associated with between-session incentives such as VIP and loyalty schemes.

Principle 6: *Responsible gambling information should be accessible, prominent and engaging.*

32. Under the Gambling Commission's Licence Conditions and Codes of Practice, operators are required to make information available to their consumers on how to gamble responsibly, and on how to access information about (and help for) problem gambling.
33. There remain significant concerns over both the prominence and presentation of the required information. Responsible gambling pages or micro-sites will often be accessible only from small, inconspicuous links located at the foot of webpages, concealed amongst similarly-coloured links to more technical information, such as an operator's privacy policy. Even when consumers access this information, they are likely to find it unexciting in its presentation, often resembling terms and conditions, and containing little in the way of engaging or appealing content.
34. Larger operators have extensive in-house expertise in design and marketing devoted to making websites and products more engaging, with careful consideration to impactful and accessible content. We might reasonably expect them to devote a similar amount of expertise and creativity to the presentation of responsible gambling information. A recently published report identifies a number of ways this could be taken forward in relation to player messaging.⁹
35. The recently-published progress report¹⁰ assessed progress against the priority actions set out in the National Responsible Gambling Strategy. Two priority actions given a red rating in that assessment were piloting interventions (PA6) and consolidating a culture of evaluation (PA3). Increasing the accessibility and impact of responsible gambling information, and robustly assessing the effectiveness of any changes, would be one way for operators to demonstrate progress against these priority actions.

RGSB's view: *Responsible gambling information on gambling websites should be accessible and prominent, with much greater consideration given to how this content can be made engaging and impactful. Operators should robustly evaluate any changes they make which are designed to achieve these aims.*

We recommend that the Gambling Commission make it clear that operators should devote as much expertise and creativity to the presentation of responsible gambling information as they do to the commercial content on their websites. For operators obliged to submit Assurance Statements to the Commission, this provides a useful opportunity to require them to provide evidence about what they are doing about this, and the steps they are taking to evaluate the effect of their efforts.

⁹ [Responsible Gambling: Collaborative innovation, identifying good practice and inspiring change](#), Revealing Realities, October 2017

¹⁰ [Strategy progress report 2016-2017](#), Responsible Gambling Strategy Board, July 2017

Principle 7: *Operators should dedicate as much energy and creativity to player protection as they do to their commercial activities, and should commit resources to it in sufficient quantity to reflect its importance.*

36. The design and presentation of responsible gambling information is not the only area where operators could demonstrate more imagination. At present player protection activities in general appear limited compared to the sophistication of, for example, games development and marketing. We believe this to be short-sighted in terms of harm minimisation and hence the future sustainability of the gambling industry.
37. The development of best practice in player protection would also be improved by greater co-operation between different operators. Recent research commissioned by GambleAware provides encouraging evidence of the willingness of some remote operators to work more closely together.¹¹ But too many still appear to regard their efforts to improve harm minimisation as providing some form of market advantage, to be protected as valuable intellectual property.

RGSB's view: *There is a need for a significant improvement in the energy and creativity devoted by the gambling industry to player protection and in the quantum of resource devoted to it. There also needs to be much greater willingness to share data and information about the success or otherwise of piloted interventions if understanding about harm minimisation is to be improved and if the introduction of best practice across the industry is to be accelerated.*

We recommend that the Gambling Commission ensures that operators understand their expectations about the resources and priority remote operators should be devoting to the development of effective harm-prevention interventions. We also think that the Commission should consider taking action to ensure that data and emerging evidence about the effectiveness of trialled interventions is shared if that does not happen voluntarily.

¹¹ [Remote gambling research, interim report on phase 2, PwC, August 2017](#)