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Gambling regulation: problem gambling and protecting vulnerable people

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Summary

There are an estimated 395,000 problem gamblers in the UK, with a further 1.8 million people 'at risk'. The effects can have devastating consequences on people and their families, including financial loss, relationship breakdowns, criminality and suicide.

The Department for Digital, Culture, Media & Sport and the Gambling Commission have failed to adequately protect consumers at a time of considerable change in the sector, as gambling increasingly moves online and new games become popular. The collection of evidence has been patchy and behind the curve as the nature of gambling has changed. The pace of change to ensure effective regulation has been slow and the penalties on the companies which do not effectively tackle problem gambling are weak.

More unacceptable is that it is not possible to judge the efficiency of the Gambling Commission against its stated objectives. The Department and the Commission have an unacceptably weak understanding of the impact gambling harms has on people, there is a lack of either detailed measurable targets for reducing levels of harm or an understanding of the impact of any regulatory action, and both have lagged behind developments in the industry, public attitudes and even Parliamentary efforts. Gambling consumers rely on regulation to protect them from harm, including operators that may not always act in the consumers' best interest. There is a sense of complacency from the department in tackling this issue.

The Gambling Commission, as regulator, must be far quicker at responding to problems and updating licence conditions to protect potentially vulnerable consumers. It must also be more proactive in influencing the industry to treat consumers better, particularly where it has identified potential problems such as during the Covid-19 lockdown. To do this, it needs to radically improve the data and insight it collects to know what is going wrong for consumers and develop better information on its own performance to determine whether it is being effective or not. At present, it has no key performance indicators and the departmental leadership lacks urgency to address this. The Commission's ability to protect consumers, particularly children and vulnerable adults, is also fundamentally constrained by inflexible funding and an outdated legal and regulatory framework that can reduce regulatory funding the larger the major gambling firms get. Individuals cannot seek redress for breaches of the Commission's Social Responsibility Code of Practice through the regulatory system. The government's manifesto commitment to a review of the Gambling Act is an opportunity to urgently consider not only how these constraints can best be addressed, but also to look more broadly at how efficient and effective regulation of this rapidly growing industry can be better implemented to achieve the stated aims of the Commission and the Department in protecting the vulnerable, ensuring fair play, and reducing criminality.

Introduction

Around half of adults in Britain gamble through, for example, betting on sports, going to casinos, and playing arcade or bingo games. In 2018–19, this resulted in commercial gambling companies in Great Britain yielding £11.3bn (that is, bets placed less winnings paid out), raising around £3bn in gambling duties. A significant and growing proportion of this revenue comes from online gambling. For some people, gambling can lead to serious harm, including mental health and relationship problems, debts that cannot be repaid, crime or suicide. There are an estimated 395,000 problem gamblers in Great Britain, with 1.8 million more gamblers ‘at risk’ who may also be experiencing harm.

The Gambling Commission (the Commission) regulates commercial gambling. It aims to ensure gambling is fair and safe, and has a duty to protect children and vulnerable people from harm. The Commission is a non-departmental public body and is funded by licence fees from gambling operators, which totalled £19 million in 2018–19, or less than 0.2% of the £11.3 billion gambling yield that year. The Department for Digital, Culture, Media & Sport (the Department) is responsible for gambling policy and the overall regulatory framework. It can introduce legislative changes where necessary, sets licence fees and has an objective to ensure commercial gambling is socially responsible.

Conclusions and recommendations

1. **Government has a poor understanding of gambling problems and the consequences for people and public services, and therefore of how to target its limited resources effectively.** Problem gambling can have devastating consequences on people and their families, including financial loss, relationship breakdowns, criminality and suicide. Government and regulators need to understand the causes and impacts of gambling harm to design an effective response and target resources where they are needed most. However, government's understanding of gambling harms is limited compared with other public health issues such as alcohol dependency or obesity where there is more comprehensive research available. Moreover, the department did not appear to consider the scale of gambling harm to be on a parallel level with other public health issues, despite evidence to the contrary in the Commission's own reports. The Commission also does not systematically gather and use the perspectives of those with lived experience of gambling-related harm to inform its work, although it has recently started to do more in this area. It relies on independent research to inform its understanding of gambling-related harms. In its evidence the Department repeatedly referred to the need for evidence based policy-making. However, despite gaps in the evidence base, the Department has not proactively funded gambling related research. Work is currently being undertaken by other parts of government, including by Public Health England and the National Institute for Health Research, which the Department believes will assist its understanding of the problem.

Recommendation: *The Department and Commission should write to us within three months and set out what actions they will take to ensure they have the research and evidence base needed to better understand gambling problems, and to design an effective regulatory response.*

2. **The Commission's ability to identify problems and intervene is hindered by its lack of data and insight into the problems that consumers have with gambling operators.** There are very significant gaps in the Commission's intelligence base to identify and respond to problems. For example, it receives very few reports on local licensing authority inspections of gambling premises. In 2018–19, 119 licensing authorities out of 380 in Great Britain did not conduct any inspections, including almost all licensing authorities in Scotland, and around 60 had not conducted any for the past three years. For online gambling, which the Commission recognises as the main area of increasing risk and complexity, it does not access gambling transaction data from banks or payment providers to understand how people are gambling in order to better protect them, although it does access this data for its work on anti-money laundering. The Commission has been gathering intelligence on the Covid-19 lockdown, learning, for example, that people who gamble a lot already are gambling more. However, it does not have data on whether the industry is meeting its own voluntary commitments or whether the Commission needs to intervene directly. The Commission recognises it can be more effective in using big data to monitor consumer behaviour and protect people from harm.

Recommendation: *In its response to this Committee, the Commission should provide an update on gambling patterns during Covid-19, an analysis of how far*

the industry has met the 10 commitments, and any regulatory action it has taken against the industry. The Commission should also explain how it will improve the data and intelligence it uses to identify what is going wrong for consumers and to enable it to intervene quickly, including taking advantage of any opportunities presented by big data.

3. **The Commission is not proactive enough at influencing gambling operators to improve protections, and consistently lags behind even the industry.** The Commission acknowledges that it has been slow to update the rule book for operators when it has identified weaknesses or other issues. For example, after identifying problems in 2015, it took the Commission three years to make changes to licence conditions and codes of practice to reduce the potential for consumers to be misled by terms and practices relating to online bonus promotions and stop operators preventing customers withdrawing funds from their accounts. Public confidence that gambling “is fair and can be trusted” has collapsed from 49% in 2008 to just 34% on the most recent data. The Commission and the Department argue that they need to establish a sufficient evidence base to justify making changes to regulations, but this slowness in gathering evidence results in unnecessary delays during which consumers continue to experience harm. The Commission does not make use of reputational incentives, such as league tables which are used by other regulators, to proactively influence operators to improve their behaviour. The Commission identified increased risks to consumers due to the Covid-19 lockdown, but did not pre-emptively place any restrictions on the industry to prevent harm from occurring, such as deposit limits. Furthermore, the Commission recommended a maximum £30 per spin limit for Fixed Odds Betting Terminals (up to 15 times the eventual £2 per spin limit determined by Parliament and higher than even some in the industry had suggested). Despite the rapid increase in online gambling, the Commission has not brought forward proposals for any effective harm reduction for online fixed odds betting. During the pandemic, part of the industry made its own decision to remove the advertising of gaming products on TV and radio for at least six weeks.
4. The Commission did recently impose a credit card ban on online gambling, but does not yet know how effective this will be in reducing gambling harm. This measure also has no effect in addressing concerns around young people, who do not have access to credit cards, including 16 and 17 year olds gambling.

Recommendation: *The Commission should develop a plan for how it will be more proactive in influencing the industry to treat consumers better, including using reputational tools such as league tables indicating how well each operator treats its customers.*

The Commission should urgently investigate the impact of fixed odds betting that falls under “lottery” legislation and is accessible by 16 and 17 year olds.

The Commission and the Department should urgently look at online fixed odds betting to ensure effective and efficient regulation and report back to the Committee with how they intend to increase effectiveness of online harm reduction within three months.

5. **Where gambling operators fail to act in a socially responsible way, consumers do not have the same rights of redress as in other sectors.** Within the current regulatory arrangements, consumers have limited rights of redress for complaints when gambling operators breach social responsibility codes of practice, as these are not normally reflected in operators' terms and conditions. This includes, for example, complaints where operators have not acted with due care to meet their code obligations to prevent a consumer from gambling too much or to help a consumer stop gambling for a defined period of time. In other sectors, particularly those with an ombudsman, consumers are provided with greater protections and access to redress on social responsibility issues. The Commission and the eight dispute resolution providers receive thousands of consumer complaints each year against gambling companies that cannot be considered, let alone resolved, because of these gaps, even when individuals have not been protected adequately by operators. Individuals who may have lost thousands of pounds can only seek redress by taking legal action which they are unlikely to be able to fund. As a result, the current regulatory regime is ineffective in meeting the licensing objective under the Gambling Act to protect vulnerable people.

Recommendation: *The Department and Commission should work together to assess the impact on consumers of gaps in redress arrangements and examine options for increasing statutory protections with an individual right of redress for breaches of the Social Responsibility Code of Practice. In their response to this Committee, they should explain how they intend to resolve these gaps and report back to the Committee on a plan for more effective consumer protection and redress within 6 months.*

6. **The Department and Commission do not know what impact they are having on problem gambling, or what measures would demonstrate whether regulation is working.** There are an estimated 395,000 problem gamblers in Great Britain, of which 55,000 are children aged 11–16. A further 1.8 million people are at-risk of problem gambling and may also be experiencing harm. 16 and 17 year olds gambling was an area that the Gambling Commission, in evidence to the Committee, appeared to fall between the “child” and “adult” areas and there was limited evidence gathered around the impact of gambling on this group. The Department and Commission agree that these levels are unacceptable, but would not set a target for how much problem gambling should reduce, or by when. The Commission has clear overall objectives to ensure that gambling is fair and safe, but does not have meaningful indicators to measure whether it is being effective, and therefore to be held to account. The Commission also has limited understanding of the impact of its actions to improve outcomes for consumers. For example, it increased the value of the financial penalties it enforced from £1.4 million in 2014–15 to £19.6 million in 2018–19, but it does not know whether this increase has strengthened the deterrent on operators to break rules. The Commission acknowledges it can do more to improve how it evaluates its impact and is planning work to strengthen its evaluation framework.

Recommendation: *The Department and Commission should develop meaningful outcome measures for problem gambling and associated harms. The Commission should also urgently progress its impact evaluation processes, so it can clearly*

measure the effect of its interventions and report back to the committee on what it is doing to both assess the impact and effectiveness of the penalties on incidents of problem gambling within three months.

7. **The Commission's ability to protect consumers is constrained by limits imposed by the legal and regulatory framework.** As the gambling industry changes in response to technological and social developments, the risks to consumers also change. The Department recognises this and has committed to reviewing the Gambling Act 2005, with a particular focus on online gambling. It is important that regulators have capacity and flexibility to respond to industry developments and new risks as they emerge. However, the Commission is a small regulator and its licence fee model, which is outside its control, does not allow it to change licence fees or raise additional resource. This makes it difficult to quickly move resources to address new issues, or to invest in addressing specific skills gaps such as in digital technologies. Under the current regime, consolidation within the industry results in a reduction in the Gambling Commission's budget regardless of the impact on the gambling yield. The Gambling Commission told the Committee that a recent merger could result in a reduction of £400,000 in the Commission's budget. In contrast to the Commission's £19m a year, the gambling industry has agreed to spend £60m to treat problem gamblers. The government has approached other public health issues on the basis that prevention is better than cure. However, the Department was unwilling to accept the premise that increasing the Commission's budget to prevent harm would be preferable to spending on treating problem gamblers. The Commission and the Department are currently looking at how to improve the regulatory funding model. The Department recognises that it can change licence fees through secondary legislation, but argues that some aspects would require primary legislation, particularly if the Commission needed additional powers.

Recommendation: *In its response to the Committee, the Department should set out a timetable for the planned review of the Gambling Act within three months. The Department should also set out details on how it will ensure the Commission has the funding and the flexibility it needs to regulate effectively in a legal situation in which currently fewer, larger firms means less funding for regulation.*

1 The Gambling Commission's direct regulatory action

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Gambling Commission (the Commission) and Department for Digital, Culture, Media & Sport (the Department).¹

2. Around half of adults in Britain gamble through, for example, betting on sports, going to casinos, and playing arcade or bingo games. In 2018–19, commercial gambling companies in Great Britain yielded £11.3bn (that is, bets placed less winnings paid out), which raised around £3bn in gambling duties. The gambling industry has been transformed by social and technological changes and is now larger and more accessible than ever. Licensed gambling has grown by 57% (£4.1 billion) in real terms in the past ten years, due to a significant increase in licensed online and mobile gambling.²

3. For some people, gambling can lead to serious harm, including mental health and relationship problems, debts that cannot be repaid, crime or suicide. People experience these problems in different ways, and their experiences can be made worse by the conduct of gambling operators, for example encouraging people to play more. 'Problem gambling' is gambling considered disruptive and harmful to a person's health and wellbeing. Those who are not classified as problem gamblers but are considered "at-risk" can also experience similar harms, normally to a lesser extent, while harm can also affect friends, family, co-workers and others. There are an estimated 395,000 problem gamblers in Great Britain, of which 55,000 are children aged 11–16. There are a further 1.8 million people at-risk of problem gambling, who may also be experiencing gambling-related harm.³

4. The Commission regulates commercial gambling. It aims to ensure gambling is fair and safe, and has a duty to protect children and vulnerable people from harm. The Commission issues licences to gambling operators, and sets and enforces the licence conditions and codes of practice they must follow. The Commission is a non-departmental public body and is funded by licence fees from gambling operators, which totalled £19 million in 2018–19. The Department for Digital, Culture, Media & Sport is responsible for gambling policy and the overall regulatory framework. It introduces legislative changes where necessary, sets licence fees and has an objective to ensure commercial gambling is socially responsible.⁴

Identifying and responding to consumer harm

5. The Commission gathers and analyses intelligence from a range of different sources to try to identify consumer problems in the gambling sector. The Commission told us it collects lots of data, including information provided by gambling operators and insights shared by external organisations such as the Advertising Standards Agency. The Commission needs good quality, timely intelligence and insight to be able to intervene quickly and take decisive action to protect consumers.⁵

1 C&AG's Report, *Gambling regulation: problem gambling and protecting vulnerable people*, Session 2019–20, HC 101, 28 February 2020

2 C&AG's Report, paras 1, 1.1, 1.6

3 Qq 89, 105; C&AG's Report, paras 1.2, 1.3, 9

4 C&AG's Report, paras 1.4 - 1.5

5 Qq 13, 96; C&AG's Report, para 3.3 - 3.5

6. The Commission told us that it relies on intelligence from local authorities that jointly license and regulate local gambling premises. Despite this, it receives very few intelligence reports from local authorities each year. Throughout Great Britain, in 2018–19, 119 out of 380 authorities did not conduct any inspections of the premises they license, including almost all licensing authorities in Scotland, and around 60 had not conducted any for the past three years.⁶ The Commission also recognises there is more it can do to gather and analyse intelligence relating to online gambling. It told us it is looking for opportunities to make more effective use of big data and technology to protect consumers. The Commission said it has a lot of information about how people gamble and what they gamble on, but it wants to build more sophisticated data to track consumer behaviour. The Commission works with banks and payment providers to access transaction data to support its work against anti-money laundering and unlicensed gambling operators. It does not access the same information to inform its consumer protection work, although it told us it is working with the banks on this issue.⁷

7. The Commission has been collecting some additional data as a result of Covid-19, such as adding some questions to a YouGov poll to assess consumer responses to the pandemic. The Commission told us that, from this research, it has found that people who gamble a lot already are gambling even more, with about 60% of the most engaged, higher-risk gamblers increasing the time they spend gambling while on lockdown. The gambling industry has made 10 commitments regarding how operators interact with gambling consumers during the lockdown. The Commission told us it has not collected data to know whether operators are meeting these commitments in practice. The commitments are relatively new, and the Commission told us that there is inevitably a time lag before it can monitor any impacts.⁸

Taking a proactive approach to consumer protection

8. The Commission sets the licence conditions and codes of practice that operators follow, which aim to protect consumers from harm. It told us it has worked to ensure regulations have kept up to date with developments in the industry, particularly relating to online gambling. We challenged the Commission on the slow pace of these updates and its decision-making process and how this was impacting consumer confidence in the sector. For example, after identifying problems in 2015, it took the Commission three years to change the rules to reduce the potential for consumers to be misled by terms and practices relating to online bonus promotions and to stop operators preventing customers withdrawing funds from their accounts. Public confidence that gambling “is fair and can be trusted” has collapsed from 49% in 2008 to just 34% on the most recent data. The Commission acknowledged that it has not been fast enough to update the rule book for operators when it has identified weaknesses or other issues. The Commission and the Department argued that this slow pace is due to the requirement to establish a sufficient evidence base to justify making changes to regulations, but this results in delays during which consumers continue to experience harm.⁹ This is a novel argument given that other regulators operate in a timely manner in equally, or more, complex markets, such as financial services. If applied to other regulators, it would result in considerable consumer detriment across regulated markets. Effective and efficient regulators must be

6 Qq 70, 63

7 Q 96, 97, 98

8 Q 2, 3, 4, 7

9 Qq 33, 49 – 53; C&AG’s Report, para 3.9

able to produce an evidence base and act promptly.

9. The Commission uses a range of different tools to influence gambling operators to improve their practices, such as providing guidance and working in partnership with different stakeholders. The Commission told us it does not use reputational incentives such as league tables to influence operator behaviour proactively. League tables are used by other regulators to rank operators on a range of consumer-related issues, such as customer satisfaction scores or numbers of consumer complaints. The Commission said it will explore how it could use this approach in future to drive competition within the industry. However, it cautioned that league tables would need to be introduced carefully, to ensure they bring about the desired impact for consumers.¹⁰

10. In February 2018, as part of the government's triennial review of stakes and prizes on Fixed Odds Betting Terminals, the Commission recommended a £2 per spin limit for slots games and a maximum £30 limit for non-slots games. This was up to 15 times the eventual £2 limit for all games determined by Parliament.¹¹ It was also higher than some in the gambling industry had suggested.¹² Despite the rapid increase in online gambling, the Commission has also not brought forward proposals for any effective harm reduction for online fixed odds betting.¹³

11. The Commission identified increased risks to consumers due to the Covid-19 lockdown, including the risk that vulnerable people would gamble more than usual. It told us it has taken a number of actions to mitigate the risk of harm. For example, it warned operators not to exploit the circumstances, communicated to consumers what they should expect of operators during this time, and gathered some data from operators to monitor developments. The Commission argued that these actions, taken alongside its recent action to ban gambling online with credit cards, constituted a proactive response. However, it did not pre-emptively place any direct requirements on the industry to prevent harm to consumers. During the pandemic, part of the industry made its own decision to remove the advertising of gaming products on TV and radio for a six-week period. The Commission told us that it did not request this action from industry.¹⁴

12. There is concern that the distinction between gaming and gambling is being blurred with loot boxes, skins, social casinos, and other techniques. This is a particular issue affecting children. Under the Gambling Act, to be gambling individuals need to be able to cash out and win a prize in money or money's worth. The government has committed to launching a call for evidence to assess the links between gambling-like behaviour and excessive in-game spending.¹⁵ The review of the Gambling Act should consider whether the current legislative framework is fit for purpose to prevent harm from this blurring of activity.

10 Qq 73 - 78; C&AG's Report, para 3.14

11 C&AG's Report, Figure 12

12 Government response to the consultation on proposals for changes to Gaming Machines and Social Responsibility Measures, May 2018, para 3.16 – 3.17

13 Qq 107 - 110

14 Qq 2 – 6, 49, 90 - 91

15 Qq 111, 114 - 115

Judging success

13. There are an estimated 395,000 problem gamblers in Great Britain, of which 55,000 are children aged 11–16. A further 1.8 million people are at-risk of problem gambling and may also be experiencing harm. The Commission told us that the numbers are too high and need to drastically reduce, and that it is unacceptable that any children or young people are problem gamblers. 16 and 17 year olds gambling was an area that the Gambling Commission, in evidence to the Committee, appeared to fall between the “child” and “adult” areas and there was limited evidence gathered around the impact of gambling on this group. The Department added that it would also like to see a reduction in problem gambling.¹⁶ We asked both the Commission and the Department what reduction in levels of problem gambling are required to consider regulation to be effective. Neither organisation would set a specific target for how much problem gambling rates should reduce by, or by when. The Department told us that it does not consider targets to be an appropriate method of establishing regulatory progress, partly because of the challenges in accurately measuring rates of problem gambling.¹⁷

14. The Commission’s existing performance measures are not comprehensive, are not set against clear benchmarks to indicate overall performance and do not, for example, assess how effectively the Commission’s work reaches consumers most at risk.¹⁸ We asked the Commission what metrics we should use to judge its performance in protecting consumers, thereby holding it to account. The Commission told us that it uses a broad performance reporting framework that measures various performance indicators, such as the activities that the Commission undertakes and long-term data on problem gambling rates. The Commission accepted that there are weaknesses with its performance measures. In particular, the Commission said it finds it challenging to get indicators and metrics that demonstrate its performance in a timely fashion, due to the long time between large-scale estimates of problem gambling rates. The Department also called for a broader set of performance measures, rather than focusing on headline numbers.¹⁹

15. The Commission told us that it also needs to do more to measure the impact of its own actions and assess whether it is achieving its objective to protect consumers. For example, it increased the value of the financial penalties it enforced from £1.4 million in 2014–15 to £19.6 million in 2018–19, but does not know whether this increase has strengthened the deterrent on operators to break rules.²⁰ The Commission noted that it undertakes some assessments of its effectiveness, in areas such as anti-money laundering, but wants to strengthen its evaluation processes to assess the direct impact of its work protecting consumers from harm. The Commission recognised that measuring impact is a challenging task for any regulator, and said that it plans to work with the Advisory Board for Safer Gambling and the National Audit Office to improve its current approach.²¹

16 Qq 20 – 27, 28, 36 - 37

17 Qq 28, 35

18 C&AG’s Report, para 16

19 Q 19, 29, 32, 39

20 Q 30 - 32; C&AG’s Report, para 3.11

21 Qq 32, 29

2 The wider regulatory framework

16. As in any regulated sector, protecting consumers from harm depends on several factors and activities undertaken by various organisations. In gambling, this includes educating consumers on the risks, effective regulation of gambling operators, and appropriate access to complaints or treatment services for those people that experience harm. The Commission therefore works with, and relies on, a wider regulatory framework made up of other public, private and charitable organisations. It also relies on the Department to set the overall regulatory framework and provide the Commission with the powers and tools it needs to regulate effectively.²²

Understanding gambling problems

17. Government and regulators need a good understanding of the problem they are trying to address to be able to develop an effective response. Problem gambling can have devastating consequences on people and their families, such as significant financial loss, relationship breakdowns, criminality and suicide.²³ Understanding how gambling problems occur allows regulation to be targeted at the most significant causes of harm, while knowledge of the impact on individuals, public services and wider society helps determine the overall scale of regulation required.²⁴

18. The availability of evidence on the causes and impacts of gambling problems is limited compared with other addictions, such as alcohol dependency. There are gaps in the data collected on gambling problems which hinder robust analysis, while independent research into gambling only provides a partial picture of the causes and impacts of harm.²⁵ Unlike some regulators, the Commission does not have a mechanism to systematically gather and draw on the perspectives and experiences of recovered or recovering problem gamblers to improve its understanding of gambling harms. The Commission told us that it recognises this is an important source of information, that it has recently been working to get better perspectives from consumers including those with lived experience of harm, and that it plans to do more work in this area in future.²⁶

19. The Department argued that it is common for the understanding of behavioural addictions, such as problem gambling, to develop more slowly than addictions with more immediate and recognisable symptoms, such as drug use. It did not appear to consider the scale of gambling harm to be on a parallel level with other public health issues, despite evidence to the contrary in the Commission's own reports.²⁷ The Department pointed to significant pieces of research currently underway from Public Health England and the National Institute for Health Research that will provide government with a better understanding of the causes and impacts of gambling-related harms. In its evidence the Department referred to the need for evidence based policy-making, but told us that while it encouraged both of these studies, it has not recently funded gambling-related research itself. It also told us it would do whatever it can to free up any data sources in government that would be useful to the Commission.²⁸

22 CA&G's report, para 1.5

23 Qq 89, 105; C&AG's Report, para 1.2

24 C&AG's Report, paras 2.7–2.8

25 C&AG's Report, para 2.9

26 Q 126

27 Qq 42 -45

28 Qq 40, 43, 99–103

Gaps in consumer redress

20. Consumers have limited rights of redress for complaints when gambling operators do not act in a socially responsible way. Consumers can seek redress when an operator does not fulfil its contractual terms and conditions, by complaining to one of the industry's eight alternative dispute resolution providers. Consumers cannot typically seek redress in instances where operators have failed to act in a socially responsible manner, as the relevant codes of practice are not normally reflected in operators' terms and conditions. This includes, for example, complaints where operators have not acted with due care to prevent a consumer from gambling too much or to help a consumer stop gambling for a defined period of time. In instances where alternative dispute resolution providers cannot provide redress, the only way for consumers to seek recourse is through taking legal action against the gambling operator.²⁹

21. We asked the Commission whether it had any responsibility to assist individuals that have not been treated in a socially responsible manner. The Commission told us that it has no role to seek or produce redress for individual consumers, but it does work to enforce social responsibility codes of practice with the aim that, as much as possible, consumers are treated fairly and redress is not needed. Despite this, the Commission receives thousands of complaints each year from consumers. As neither the Commission nor dispute resolution providers can typically resolve these complaints, thousands of complaints each year go unresolved, even when individuals have not been protected adequately by operators.³⁰

22. The Department acknowledged that this gap in redress is a consequence of the design of the regulatory framework, rather than any oversight by the Commission.³¹ The gambling industry has no statutory consumer representative organisation or ombudsman, which exist in other sectors and typically provide consumers with greater protections and access to redress on social responsibility issues.³² The Department recognises these gaps, but said it is ultimately a policy decision whether such a body should be established or not in the gambling sector. The Department told us it expects that Ministers will consider this issue as part of the planned review of the Gambling Act 2005.³³

Constraints imposed by the legal and regulatory framework

23. Regulation needs to continually evolve to keep pace with changes in the sector, such as developments in consumer behaviour or technology, and any new risks these changes might present to consumers. The gambling industry is changing rapidly and has seen significant increases in online and mobile gambling.³⁴ For example, between 2015 and 2018 the proportion of online gamblers who gambled using mobile phones nearly doubled.³⁵ The Commission told us that the shift to online and mobile gambling has been further accelerated by the coronavirus lockdown. These developments can also bring new types of consumer harm that regulation needs to protect against. For example, the Commission told us it is concerned by the blurring of lines between gambling and video games, and the

29 Qq 79, 84

30 Qq 79 – 88

31 Q 83

32 C&AG's Report, paras 3.6 and 3.17

33 Qq 83 - 86

34 Qq 28, 49, 52

35 C&AG's Report, para 4.4

new risks this presents to children.³⁶ The Commission and the Department acknowledged the importance of being flexible to keep up with these developments and the new risks they present, and the Department has committed to a particular focus on online gambling when reviewing the Gambling Act.³⁷

24. The Commission receives £19 million in licence fee income every year to fund its regulatory activities. By comparison with regulators that have a similar objective to protect millions of consumers in other sectors, the Commission has one of the smallest budgets. In contrast to the Commission's £19m a year, the gambling industry has agreed to spend £60m to treat problem gamblers. The government has approached other public health issues on the basis that prevention is better than cure. However, the Department was unwilling to accept the premise that increasing the Commission's budget to prevent harm would be preferable to spending on treating problem gamblers. Licence fees are reviewed and set every 4 to 5 years by the Department and are outside the control of the regulator. The Commission told us that the current funding arrangements do not provide it with the flexibility it needs to respond to changing risks within the sector, as some of the current assumptions underpinning the current fee model are outdated. The Commission also explained that the way fees are designed means that mergers between operators normally mean a reduction in its income, even though there may be no change in the risks to consumers. For example, the Gambling Commission told us that a recent merger could result in a reduction of £400,000 in the Commission's budget. The Commission agreed that a more flexible model would allow it to move resources to address new issues or to invest in addressing specific skills gaps such as in digital technologies, thereby making it more effective at protecting consumers.³⁸

25. The Department said it is working with the Commission to explore possible changes to the regulatory funding model, and it is expecting the Commission to submit evidence to it on its future funding requirements in due course. The Department recognised that it can change licence fees through secondary legislation, but argued that some aspects may require primary legislation, particularly if the Commission needed additional powers. The Department also told us that full flexibility of funding had its own challenges, as industry needed a certain degree of predictability in licence fees.³⁹

36 Qq 11, 111

37 Qq 28, 35

38 Qq 131, 120, 125, 127 – 131, and written evidence provided by the Gambling Commission (15/05/20).

39 Qq 118, 131

Formal Minutes

Monday 22 June 2020

Virtual meeting

Members present:

Meg Hillier, in the Chair

Olivia Blake	Gagan Mohindra
Sir Geoffrey Clifton-Brown	Sarah Olney
Peter Grant	Nick Smith
Mr Richard Holden	James Wild
Sir Bernard Jenkin	

Draft Report (*Gambling regulation: problem gambling and protecting vulnerable people*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 25 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Seventh of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Friday 29 June at 1:45pm]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 27 April 2020

Sarah Healey, Permanent Secretary, Department for Digital, Culture, Media and Sport; **Neil McArthur**, Chief Executive, Gambling Commission

[Q1-131](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

GAM numbers are generated by the evidence processing system and so may not be complete.

- 1 Buck, Mr Paul ([GAM0015](#))
- 2 Federation of Racecourse Bookmakers ([GAM0013](#))
- 3 Gambling Business Group ([GAM0014](#))
- 4 Gambling with Lives ([GAM0010](#))
- 5 Gamvisory Group ([GAM0011](#))
- 6 Gamvisory Group ([GAM0017](#))
- 7 Gilham, Chris ([GAM0003](#))
- 8 Harris MP, Carolyn ([GAM0016](#))
- 9 Jones, Mr Martin ([GAM0006](#))
- 10 McAlaney, Dr John ([GAM0007](#))
- 11 Patel, Mr Kishan ([GAM0018](#))
- 12 Patel, Mr Kishan ([GAM0002](#))
- 13 People's Postcode Lottery ([GAM0012](#))
- 14 Ramsey, Mr Stephen ([GAM0005](#))
- 15 Servis, Miss Ursula ([GAM0008](#))
- 16 Thompson, Mr Simon ([GAM0009](#))
- 17 Webb, Mr Derek ([GAM0004](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2019–21

First Report	Support for children with special educational needs and disabilities	HC 85
Second Report	Defence Nuclear Infrastructure	HC 86
Third Report	High Speed 2: Spring 2020 Update	HC 84
Fourth Report	EU Exit: Get ready for Brexit Campaign	HC 131
Fifth Report	University Technical Colleges	HC 87
Sixth Report	Excess votes 2018–19	HC 243