

# **A call for evidence on gambling online with credit cards**

**Summary of responses to the call for evidence**

**July 2019**

# 1 Introduction

- 1.1 We received written responses from the following categories of respondents:
- Licensed operators - 25
  - Members of the public - 55
  - Financial institutions- 4
  - Trade associations - 2
  - Others (charities, third sector organisations, academics and faith groups) - 24
- 1.2 Around 66 of those respondents provided us with their consent to publish their names to indicate that they responded to the call for evidence, and these are listed at the end. The details of the responses we received to the call for evidence are summarised below.

## 2 Summary of responses

- 2.1 Questions 1 to 3 were introductory questions concerning the respondent's personal details and are not detailed here. Question 4 asked for consent or otherwise to their names and responses being published.
- 2.2 Questions 5, 6 and 7 asked for respondents' views about the risks of gambling with credit cards, whether the Commission should consider prohibiting or restricting gambling with credit cards, and views on the potential pitfalls of any such intervention. Respondents tended to answer all three questions as a whole and, as such, responses are summarised here by the overall option broadly favoured by certain respondents, along with the reasons for their support for that option.

### Call for evidence question

- Q5. Do you have any comments on the risks and concerns associated with gambling with credit cards?
- Q6. Do you have any comments whether, on balance and given those concerns, the Commission should consider prohibiting or restricting credit cards for gambling?
- Q7. Do you have any comments on the potential pitfalls of prohibiting or restricting the use of credit cards for gambling?

### Those in favour of a ban

- 2.3 **Most members of the public were in favour of a ban.** They raised a number of reasons as to why credit cards should be banned for online gambling, including the following:
- it is not consistent with the principle of 'only bet what you can afford to lose' if you are using borrowed money
  - it is irresponsible for gambling operators to knowingly accept funds that the customer has borrowed
  - remote gambling operators have not demonstrated good customer interaction processes, meaning that there are few assurances around safeguards for credit card gamblers.
- 2.4 Some suggested that there is a need to prohibit credit cards in addition to financial services rolling out blocking facilities for other payment methods and gambling operators conducting affordability checks.

- 2.5 Many of those respondents held the view that the benefits of banning credit cards would outweigh the risks of gamblers using other forms of borrowing in lieu of credit cards.** They argued that:
- credit cards are more convenient to access than other forms of lending. Applying for other forms of lending is less spontaneous than using a credit card that you already have in your possession
  - if members of the public don't have access to credit cards for gambling it might make them think twice before getting a loan or overdraft. The more barriers and levels of friction you can put in place to prevent gambling harm the better
  - the debt exposure from multiple credit cards can be much greater than the levels of debt incurred from other forms of borrowing
  - credit card prohibition will at least help to prevent 'healthier gamblers' from the risk of harm of using borrowed money to gamble
  - 'loopholes' such as accessing other forms of borrowing should be addressed piecemeal after credit cards are banned.
- 2.6 A number of individuals responded who had each incurred between £10,000 and £40,000 debt on credit cards exclusively from gambling. They were very strongly in favour of a ban, notwithstanding the risks of people using other forms of borrowing in lieu of credit cards.** They argued that:
- payday loans and overdrafts generally have lower lending (credit exposure) limits than credit cards. Where multiple credit cards are held it is likely that the amount available to borrow on those cards is greater than the amount that person could otherwise access through overdrafts and loans.
  - a ban would remove at least one credit stream available to problem gamblers and that cutting the source of funds is essential to stop harmful gambling
  - the interruption in the 'online gambling decision journey' might be enough to prevent a compulsive gambler seeking to gamble with other forms of credit (i.e. the hassle and delay of getting a payday loan should be a barrier to pursuing this as an option to fund gambling)
  - while some had accrued gambling debt through both credit cards and unsecured loans, credit cards had provided them with the easiest and most convenient form of access to borrowed money. Credit cards did not cause their gambling addiction but accelerated and amplified it
- 2.7 A couple of faith groups** responded and argued that:
- there is no social or moral case to continue to permit gambling on credit cards, even if members of the public transfer to other forms of credit borrowing
  - a ban would remove the easiest form of gambling with borrowed money.
- 2.8 An academic** argued that the risks of transferring to other types of lending are not sufficient to avoid a ban – the key principle should be to prevent anything that affords a greater opportunity to gamble excessively, and anything that disrupts continuous (frictionless) gambling is likely to reduce harm.
- 2.9 A number of debt-relief charities** favoured a ban. They noted that:
- the risk of members of the public moving to other forms of borrowing is not a sufficient reason to not ban
  - remote gambling allows rapid high-stake gambling, and therefore the ability to lose funds rapidly; but the only current credit card gambling controls are in non-remote gambling.
- 2.10 A handful of non-remote operators** responded. They argued that there should be equivalent restrictions on credit cards for remote gambling as there are already for non-remote (so for example, given that credit card payments in connection with gaming machine use are not permitted in any way, there is a logic to reflect that prohibition for remote gambling).

- 2.11** Some respondents noted that they did not believe that controls and limits short of a prohibition of credit cards would work. This was due to the perception that gambling operators may not fully implement control measures effectively and that such alternatives to a ban would not work for certain gamblers (e.g. warning messages would be ignored)

**Those in favour of an approach that tackles the risks of gambling-related harm from the use of *all forms of borrowing* (i.e. not just from credit cards but also the use of overdrafts and loans to fund gambling).**

- 2.12** Some **charities and third sector organisations** were broadly supportive of action being taken on credit card gambling but cautioned that any action must form part of wider measures to mitigate the risks of gambling on all forms of credit.
- the Step Change charity provided data to demonstrate that those who contact them with gambling-related debt issues have incurred debt across several types of borrowing. They conclude that restricting only one form of borrowing would have a limited impact on addressing harm, and that a holistic approach to all forms of borrowing is necessary in this regard
  - The Money Charity was of the view that a ban on credit card gambling could be too easily circumvented unless there were wider measures taken, and there should therefore be a review of the use of all forms of credit to fund gambling
  - The Money & Mental Health Policy Institute was broadly supportive of the principle of a ban or restriction on credit card gambling as a means of reducing harm, but noted it was essential to consider the risks of harm of debt-funded gambling more generally, especially among those experiencing mental health problems, and that the Commission must consider other lines of credit as part of its approach.

**Those in favour of limits and restrictions instead of a ban**

- 2.13** Most **remote gambling operators and financial services who responded** argued against any approach that would prohibit the use of credit cards for gambling. In general, respondents from these commercial sectors suggested the following pitfalls of a credit card ban would make any such an approach ineffective:
- customers would use other forms of borrowing in lieu of credit cards, but gambling operators do not have visibility of the source of a transaction that emanates from an overdraft or a loan
  - as such, a ban would mean that operators would lose a risk indicator or 'marker of harm' (i.e. credit card use) that they could otherwise use in their customer interaction algorithms
  - operators would also have less visibility over the source of funds (i.e. a ban on credit cards would be detrimental to their AML checks).
  - prohibition could mean operators need to risk-assess funding by more intrusive means such as obtaining bank or e-wallet statements from all members of the public to confirm their (non-credit) payment method funding. This could be particularly disproportionate for infrequent and casual gamblers
  - other forms of borrowing could be costlier e.g. the overall amount repayable from a payday loan could be greater than that for a credit card
  - e-wallets present an opportunity for customers to circumvent any ban, because operators do not have visibility of whether an e-wallet transaction emanates from a debit or credit card (or any other means of payment that the wallet permits)
  - customers might also migrate to the use of cryptocurrency through e-wallets, in lieu of credit cards, meaning source of funds risks are higher
  - a ban could be circumvented by using a credit card to withdraw cash from a cash point
  - one operator advised that they cannot distinguish credit cards from debit cards and only their processing bank can do so.

- 2.14** They also argued that, aside from the risks of a prohibition being ineffective, such a move would be inappropriate because not all of those who use a credit card for gambling are at risk of harm.
- 2.15** Some noted that the risks of members of the public using illegal money lending may be overstated, as there is a wide availability of other legitimate sources of borrowing. There was a view expressed that further analysis is required to quantify the risk in this area and that it wouldn't be practical to impose a prohibition whilst the unintended consequences are still uncertain.
- 2.16** The Headway charity specifically noted concerns that acquired brain injury (ABI) survivors who gamble may resort to other forms of borrowing or crime should a credit card ban come into effect.
- 2.17** The various types of limits or restrictions suggested by these respondents as alternatives to a ban are described in more detail at Question 8 below.

### **Those that do not favour any intervention**

- 2.18** A small number of respondents, mainly members of the public and a couple of smaller remote operators, suggested that there should be no regulatory intervention at all in respect of gambling with credit cards. They argued that:
- the existence of potentially higher cost forms of borrowing is a reason to retain credit cards as a 'least worst' form of borrowing to fund gambling
  - it should be the responsibility of lenders (i.e. banks and card issuers) to conduct more stringent affordability checks on what their customers could repay, thereby making access to credit more difficult, rather than a policy intervention at the gambling (merchant) level
  - it should be the responsibility of the customer to manage their own levels of borrowing once they have been granted a credit card
  - there are risks of overseas customers being unable to access other payment methods to finance their gambling
  - credit cards provide a benefit to customers who wish to mask their gambling transactions when applying for a mortgage (i.e. itemised gambling transactions on a current account statement, which a mortgage lender will typically ask for, might affect the applicant's chance of a successful mortgage application; but mortgage lenders would not routinely ask to see itemised credit card statements).
- 2.19** One society lottery sought assurance that any intervention on credit cards would not apply to societies that only provide draw-based lotteries with no instant win products.

## Call for evidence question

Q8. Do you have evidence or suggestions for any measures that could act as alternatives to a prohibition on credit card use for gambling, and which could provide more effective protection to consumers who are at risk of harm due to gambling with money they cannot afford?

**2.20** Respondents made several suggestions for alternative measures to limit harm from gambling with credit cards, although there was no evidence that any of these measures had been proactively implemented. The most common suggestions for limiting or restricting credit card use, predominantly made by gambling operators, were:

- limiting customers to only one active credit card per gambling account at any one time
- providing cooling-off periods i.e. credit card deposits could not be used for staking until a period of time had elapsed after the transaction
- no acceptance of sub-prime or credit-building cards which are issued to customers whose credit rating is weak and who are trying to build up their rating through management of a credit card account
- providing customers with warning messages about the charges that might be levied by their card issuer.

**2.21** Other suggestions included:

- facilities to allow customers to set limits on their credit card spend e.g. weekly or monthly limits, and limits on deposit size and frequency. There could also be mandatory limits set by operators, including for example preventing the use of a credit card during weekend early hours
- reality checks to warn customers of their cumulative credit card spend
- promoting the use of banks' transaction blocking facilities (i.e. those produced by Monzo, Starling and Barclays and being followed up by other banks)
- affordability checks conducted by gambling operators on their customers, with the registration of a credit card on the gambling account being a heightened risk indicator.

**2.22** Non-commercial organisations such as faith groups and third sector bodies suggested more far-reaching controls such as:

- a six-month block before a newly registered customer can use a credit card
- block under 30's from using a credit card
- a national public health campaign on the risks of gambling with borrowed money
- a credit card customer must be required to opt-in to use their card for gambling. The opt-in process could involve the customer contacting their card issuer to make a specific request to use the card for gambling, with an ability to set limits on gambling transactions via their card issuer.

## Appendix- Respondents (consent given)

Aaron Ludford- Member of the public  
Adam Mason- Greentube  
Alex Moorhouse- Cashplus  
Alison Mather- Quaker Action on Alcohol & Drugs (QAAD)  
Andrew Poole- The Rank Group plc  
Andy- Member of the public  
Angela Allport- Methodist Church  
Ashley Padgett- Sky Betting & Gaming  
Chris Buttenshaw- CARE  
Chris Murphy- Member of the public  
Christina Thakor-Rankin- 1710 Gaming Ltd  
Clare Mills- Headway  
Daniel Brookes- ActiveWin  
Daniel Raeburn- Member of the public  
Daniela Vella- ComeOn.com  
David Agius- Kyte Consultants  
David Steele- The Money Charity  
Desmond Kerr- Member of the public  
Ed McBurney- Member of the public  
Ella King- Buzz Bingo  
Fraser Lovell- People's Postcode Lottery  
Gerald Boylan- Member of the public  
Grace Brownfield- Step Change  
Greg Bennett- MaxEnt Limited  
Helena Thorpe- Member of the public  
Ian Sims- Rightlander  
Ian Spencer- Member of the public  
James Angus- Member of the public  
Jim Fox- SBPA  
Jim Orford- University of Birmingham  
John Anderson- Member of the public  
Jon Cording- Gambling Operator  
Joseph Rigby- Mr Rigby's Leisuretime Ltd  
Kelly Field- Member of the public  
Kevin Rendel- Member of the public  
Kirandeep Dhaliwal- PaddyPowerBetfair Plc  
Lauren Hilton- William Hill  
Lindsey- Member of the public  
Martin Kettle- Member of the public  
Martin King- Lloyds Banking Group  
Matt Bisogno- Member of the public  
Meg van Rooyen- Money Advice Trust  
Michael McCrory- Member of the public  
Mike Chatha- GamHelp  
Nikki Bond- Money & Mental Health Policy Institute  
Pat Williams- Member of the public  
Patrick McGrath- Gambling Operator  
Paul Dolman-Darrall- Gamevy  
Paul Richardson- Member of the public  
Paul Rodford- Vanquis Bank  
Peter Gee- Praesepe  
Richard- Member of the public  
Rick Malkin- Member of the public  
Robert Doubleday- Aaron Amusements  
Sally Doyle- Macmillan  
Scott Dowty- Passport Technology  
Steph Johnson- Member of the public

Steven Roebuck- Member of the public  
Taj Ratta- Small Screen Casinos  
Theodoros Kostoulas- Bournemouth University  
Tony Franklin- Member of the public  
Tracy Damestani- National Casino Forum  
Victoria Taylor-Smith- White Ribbon Association  
Wayne Pinkard- Member of the public  
Wes Himes- RGA