
Call for evidence: gambling on credit cards

Overview

In 2018 the **RGSB provided advice to the Commission on online gambling** <<https://www.rgsb.org.uk/PDF/RGSB-advice-on-remote-gambling.pdf>> which included recommendations on gambling using credit. The advice noted that gambling with borrowed money, including with a credit card, is a well-established risk factor for harmful gambling.

It acknowledged that online operators may not always be aware that a customer is gambling with borrowed funds, as money can be borrowed other than through credit cards – for example, where a customer is gambling using an overdraft or a loan. While the variety of available forms of credit may pose some challenges for consumer protection, the key principle underlined by RGSB is that *gambling with borrowed money significantly increases the risk that consumers will gamble with more money than they can afford*.

The RGSB therefore recommended restricting consumers' ability to gamble online with credit, including prohibiting gambling online with credit cards.

In the **Commission's Review of Online Gambling** <<https://www.gamblingcommission.gov.uk/PDF/Online-review-March-2018.pdf>> we outlined our support for the principle that consumers should not gamble with money they do not have. We said we would consider restricting or prohibiting the use of credit cards for gambling, but that we would explore the consequences of doing so. We therefore committed to conduct further work in this area.

To help us develop our understanding of the issues we will be requesting information from a range of stakeholders including gambling operators and financial institutions, and we will be engaging with debt relief charities and consumers (for example those who have accessed services to treat gambling-related harm). Gambling with credit cards will also form part of the Commission's research priorities over the next year.

In addition to our data requests and engagement we are inviting all stakeholders to respond to this exercise, in particular to:

- provide any information that will enable us to develop a comprehensive picture of gambling with credit cards, including the scale of their use for gambling and the risks associated; and
- provide evidence of effective harm prevention measures that might serve as robust alternatives to prohibiting or restricting gambling with credit cards. These might include, for example, the full rollout of card-blocking facilities that enable consumers to block gambling transactions via their credit cards, or imposing account limits until operators have verified further information about the customer (for example, assessing the levels of gambling spend the customer might be able to afford), if such controls are demonstrably effective.

We will set out some detailed proposals for further consultation based on the evidence gathered from this exercise, and from our ongoing work in this area. However, in the absence of effective consumer protections to limit the risks of harm posed by gambling with credit cards, we will consider whether regulatory interventions such as restricting or prohibiting gambling via credit cards are necessary.

Introduction

1 What is your name?

2 What is your email address?

If you enter your email address then you will automatically receive an acknowledgement email when you submit your response.

3 Please indicate which organisation you belong to?

For example, member of the public, gambling operator, financial institution, trade association, charity etc

4 Privacy notice

As part of this call for evidence, we may decide to publish your name and organisation on our website to indicate that you have responded to this consultation. We have asked you to indicate your consent to the Commission publishing your name and organisation to indicate you have responded to this call for evidence.

(Required)

Please select only one item

- I CONSENT to the publication of my name and organisation to indicate I responded to this consultation
- I DO NOT CONSENT to the publication of my name and organisation to indicate I responded to this consultation

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Scope of our review

The advice provided to us by RGSB and our own advice to government both focused on gambling with *credit cards in an online environment*. We have outlined in the table below the nature of gambling via credit cards that is permitted (or otherwise) in each type of gambling environment, including both remote and non-remote. The table demonstrates that the use of credit cards in gambling premises is largely restricted by the existing regulatory framework for gambling, although is permitted in some circumstances.

Our research will focus on the *use of credit cards for online gambling* in the first instance, given that gambling with credit cards online is unrestricted (in contrast with the use of cards in gambling premises) and because the volume of remote gambling is much greater than in other sectors. Taken together, these points indicate that the greatest levels of consumer risk are more likely to be concentrated in the online sector. We will however also consider what data we need to acquire to better understand the risks of using credit cards to gamble in non-remote environments.

Gambling environment/type of premises/product	Existing controls provided by the gambling regulatory framework, in respect of the use of credit cards for gambling
Online (remote) gambling	<p>Social responsibility code provision 3.7.1</p> <p><i>Licensees who choose to accept credit cards must:</i></p> <p><i>a) accept payment by credit card for gambling only where that payment is made to a customer account</i></p> <p><i>b) make available for gambling funds deposited via credit card only after the card issuer has approved the transaction.</i></p>
Non-remote betting including betting premises.	<p>Social responsibility code provision 3.7.1</p> <p><i>Licensees who choose to accept credit cards must:</i></p> <p><i>c) accept payment by credit card for gambling only where that payment is made to a customer account</i></p> <p><i>d) make available for gambling funds deposited via credit card only after the card issuer has approved the transaction.</i></p> <p>This provision applies to betting facilities only (ie it does not include payments by credit card to use a gaming machine on the betting premises, as this is prohibited: see below). The provision does not prevent the operator siting ATMs on their premises (subject to mandatory premises licence conditions concerning the location of such machines), from which customers could withdraw cash via credit card.</p>
Non-remote casino and non-remote bingo operators	<p>Section 81 of the Gambling Act</p> <p><i>Operators must not participate in, arrange, permit or knowingly facilitate the giving of credit in connection with gambling.</i></p> <p><i>However, this does not prevent such operators from permitting</i></p>

	<p><i>the installation and use on their premises of a cash machine (e.g. ATM) that permits the withdrawal of cash via a credit card, provided that</i></p> <ul style="list-style-type: none"> • <i>the operator has no other commercial connection with the credit provider in relation to gambling,</i> • <i>the operator neither makes nor receives any payment or reward in connection with the cash machine, and</i> • <i>any other conditions about the nature, location or use of the machine are complied with.</i> <p>This means that non-remote casino and bingo operators cannot accept credit cards for payments to participate in gambling on their premises, nor can they provide any credit facilities. Casino and bingo premises are however allowed to site machines that permit the withdrawal of cash via a credit card, provided that the licensee receives no commercial gain from the transactions, nor creates any inducements for its customers to use credit cards in such machines.</p>
<p>Adult gaming centres and family entertainment centres</p>	<p>Licence condition 6.1.1</p> <p><i>Licensees must neither:</i></p> <p><i>a) provide credit themselves in connection with gambling; nor</i></p> <p><i>b) participate in, arrange, permit or knowingly facilitate the giving of credit in connection with gambling.</i></p> <p>This means that arcade operators cannot accept credit cards for payments to participate in gambling on their premises, nor can they provide any credit facilities. This provision does not prevent the operator siting ATMs on their premises (subject to mandatory premises licence conditions for AGCs and FECs concerning the location of such machines), from which customers could withdraw cash via credit card.</p>
<p>Gaming machines of any category</p>	<p>The Gaming Machine (Circumstances of Use) Regulations 2007</p> <ul style="list-style-type: none"> • <i>Gaming machines cannot be designed or adapted to permit money to be paid by means of a credit or debit card.</i> • <i>A person making a gaming machine available for use must not participate in, arrange, permit or knowingly facilitate payment of a charge for use by means of a credit card.</i> <p>This means that a gaming machine cannot accept a payment by means of either a credit or debit card (i.e. either by inserting a card into the machine or via contactless payment). The</p>

	<p>regulation also prohibits the purchase of any non-cash method of payment by means of a credit card (for example, the operator could not allow someone to use a credit card to buy a ticket that can be inserted into the machine as a method of payment).</p> <p>The regulation does not prevent the use of cash in a gaming machine that might have been withdrawn from an ATM by credit card (subject to mandatory premises licence conditions concerning the location of machines on gambling premises).</p>
Society Lotteries	No restrictions on the use of credit cards for purchasing opportunities to participate in a society lottery.
The National Lottery	The National Lottery operator has chosen to not accept credit cards on its website.

Key risks and concerns associated with using credit cards for gambling - why a prohibition or restriction of gambling with credit cards might be supported

In this section we outline some of the key concerns with using credit cards to fund gambling spend, and which would arguably support a case for tighter controls around the use of credit cards. This is followed by a section in which we describe some of the potential drawbacks of prohibiting credit cards for gambling. Respondents are invited to comment on any of these areas, and to provide information on any other costs or benefits that they may be aware of.

Charges incurred by consumers for gambling transactions made with a credit card

All the major credit cards appear to **treat gambling transactions as a cash advance**, or in any case, gambling transactions are subject to the same levels of fees and interest rates as cash advances. This means that when a consumer deposits money from a credit card into an online gambling account, for example, the transaction will typically be:

- Subject to a **cash advance fee** between 3% and 5%, often with a minimum fee of £3.
- Subject to a **higher interest rate** than credit card purchases. For example, the transaction will be subject to approximately 30% interest rather than 15% to 20% for standard purchases.
- Subject to interest accruals **from the date of the transaction**. This contrasts with non-gambling purchases for which there is usually a period, after the transaction has been made, before the purchase begins to accrue interest.

As such, the cost to the consumer of depositing e.g. £200 onto a gambling website via a credit card will be higher than if they deposited £200 via a debit card. To illustrate, a £200 credit card deposit would immediately attract a cash advance fee of £6 (based on 3%) plus around £4 in interest in the first 30 days of the transaction, assuming an APR for cash advance transactions of around 25%. So, the £200 credit card deposit will have cost the consumer £210 in the 30 days after the deposit being made.

Gambling transactions via credit card are also likely to **detrimentally affect a person's credit score**, due to gambling transactions being treated as cash advances which are viewed negatively by lenders (ie cash advances indicate poor financial management).

Where the credit card offers rewards for purchases (such as cashback or Air Miles), such rewards cannot usually be obtained for transactions treated as cash advances i.e. including gambling transactions. With the forfeiture of any usual rewards for a gambling (cash) transaction, there appear to be no financial benefits to the consumer of using a credit card for gambling instead of a debit card – seemingly, there are only financial detriments.

Any consumer using their credit card for gambling may be doing so **in the absence of having enough funds in their own bank account**. The datasets detailed below, while based on relatively small sample sizes, might suggest **that any such consumer is at a higher risk of gambling-related harm** insofar as they do not have enough money with which to gamble but continue to do so via credit card, incurring additional costs in the process.

Gambling-related harm

The Commission's **research programme** <<https://www.gamblingcommission.gov.uk/PDF/Research-Programme-2018-22.pdf>> includes a commitment to developing our understanding of harms and their societal impact, including financial harm, along with the patterns of play associated with gambling on credit. This work is described in more detail below.

While there is currently a limited evidence base to explain the relationship between gambling on credit cards (or other forms of borrowed money) and gambling-related harm, some small data sets do seem to indicate a strong correlation between the two, and that credit cards are disproportionately used by those at higher risks of harm.

The Citizen's Advice report 'Out of luck'

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Out%20of%20Luck.pdf> explored the impacts of problem gambling and gathered some data on credit card use for gambling. We asked Citizen's Advice to provide a further breakdown of some of the data reported at page 10, to distinguish between use of credit for gambling by problem and non-problem gamblers. The survey was relatively small (849 current or past gamblers) but among those who said they had **never had a problem with their gambling, 4% reported having used a credit card for gambling and 4% had used an overdraft**. Among those who currently or previously had a **problem with their gambling, 43% reported having used a credit card for gambling and 49% had used an overdraft**.

We also obtained recent data from participants in our quarterly research. These datasets are gathered via a combination of telephone and online surveys, conducted independently by Populus, and typically cover the past four-week gambling participation rate, including problem gambling estimates. For the first time we recently included questions in the survey about gambling with borrowed money.

Given that the sample sizes are relatively small, some caution needs to be exercised in drawing conclusions from the data. However, our survey results do appear to support the data from the Citizens Advice report and show a strong correlation between problem gambling status and the use of borrowed money including credit cards. These small surveys might therefore indicate a correlation between credit and harm on a wider scale.

Credit cards

- 9.5% of respondents had used a credit card (157 people)
- 22% of those were problem gamblers while 43% were non-problem gamblers (the remaining 35% of participants who used credit cards were either a low or moderate risk of harm)
 - o That means 40% of all survey respondents who identified as problem gamblers had used a credit card (ie 34 people from a total of 85 survey respondents who identified as problem gamblers)
 - o 5.5% of all survey respondents who identified as non-problem gamblers had used a credit card (68 people from a total of 1236 respondents who identified as non-problem gamblers)

Overdrafts

- 4% of respondents had used an overdraft (65 people)
- 38.5% of those were problem gamblers while 12% were non- problem gamblers
 - o That means 29% of all survey respondents who identified as problem gamblers had used an overdraft (25 out of 85)
 - o 0.6% of all survey respondents who identified as non- problem gamblers had used an overdraft (8 out of 1236)

Payday loans

- 1.6% of respondents had used a payday loan (25 people)
- 80% of those were problem gamblers while 4% were non-problem gamblers
 - o That means 23.5% of all survey respondents who identified as problem

- | |
|---|
| <p>gamblers had used a payday loan (20 out of 85)</p> <ul style="list-style-type: none">o 0.1% of all survey respondents who identified as non- problem gamblers had used a payday loan (1 out of 1236) |
|---|

The use of credit cards for gambling should not simply be conflated with, or seen as synonymous with, gambling-related harm. That is, and as the data indicates, not all consumers who use a credit card for gambling will necessarily be at risk of harm. However, the data outlined above indicates that there is likely to be a strong correlation between credit card use and gambling-related harms, and we intend to explore this further as part of our work. For example;

- given the financial detriments associated with using a credit card for gambling, a consumer using a credit card for gambling is likely to be **gambling with funds that they do not otherwise have (for the reasons set out above)**;
- that consumer's total gambling spend (ie deposit) will be **increased by the interest and fees** they incur through their credit card transactions for gambling; and
- the consumer may be at risk of **chasing higher wins** in order to cover those fees and interest costs.

It should be noted that even in circumstances when a non-problem gambler uses a credit card for gambling, they will be subject to the fees and charges associated with that card usage. Those costs could be averted if they instead used a debit card (ie their own money rather than borrowed funds). If the evidence suggests that credit cards do increase the risk of people gambling with more money than they can afford - and that credit cards are a punitive means of gambling with borrowed funds, whether the user is at risk of harm or otherwise - then the case for prohibition is stronger.

Possible negative consequences of prohibiting or restricting gambling with credit cards

As part of our data gathering, we are keen to develop a better understanding of any detrimental or unintended effects that could arise from prohibiting or restricting credit cards for gambling, and to understand the likelihood of those consequences being realised. We are also keen to understand whether there are any tangible advantages to using credit cards for gambling, and we welcome evidence of these as part of this consultation. Some of these matters are briefly explored below.

Seeking access to alternative forms of credit for gambling in lieu of credit cards

There is a risk that consumers may increasingly seek to access alternative forms of borrowing money if credit card use for gambling was prohibited or restricted. For example;

- **payday loans**, which commonly incur much higher associated fees and charges than a credit card (especially if the loan is repaid over several months), and which can be accessed relatively quickly by consumers. Payday loans generally have much lower maximum lending amounts than credit cards, however (e.g. the total amount one can borrow – and therefore spend on gambling – with a payday loan is likely to be lower than the amount that a person could otherwise gamble via credit cards).
- **secured and unsecured loans** which generally have lower interest rates than credit cards and where funds might not be 'released' by lenders as quickly as for payday loans; but which can provide access to large quantities of available funds depending on the consumer's credit record.
- **overdrafts** which generally have similar interest rates to credit cards (e.g. 15% to 20% effective annual rate) and lending limits of hundreds of pounds. However, even arranged overdrafts can be subject to daily or monthly usage fees in addition to the interest rates applied.

In any of these cases, and if a consumer is determined to gamble despite having to borrow money to do so, a gambling **operator would probably have no visibility of the use of that loan or overdraft for gambling**. (We are exploring with remote operators the types of data they might be able to access to help them assess how much a customer might be able to afford to gamble. This may include their taking account of customer credit reference information, for example, to assess the likelihood of the consumer being at risk of financial harm through extensive borrowing). Similarly, an operator is unlikely to have sight of whether a customer has withdrawn cash from a credit card and loaded their bank account with those funds.

Younger males aged 25-34 are more likely to be at a **higher risk of gambling-related harm**

<http://www.gamblingcommission.gov.uk/PDF/survey-data/Gambling-behaviour-in-Great-Britain-2015.pdf> than other parts of the population. We need to better understand not only the associations between gambling-related harms and gambling with credit, but also the likelihood of higher-risk consumers such as younger males accessing more expensive and riskier forms of lending if they were otherwise unable to use credit cards for gambling. We will therefore be requesting data from financial institutions and credit reference agencies to help to develop our understanding of the prevalence of different forms of lending in the economy, and the extent to which any form of lending might be particularly associated with younger males.

Despite the risks of other forms of lending being used for gambling, preventing the use of credit cards for gambling online would arguably remove the most convenient and obvious means of funding gambling with borrowed money, and therefore create an **interruption in the online journey** of any gambling consumer considering placing a bet with money they do not have. That is, while removing such a facility might not eliminate the risks of players getting into debt from gambling, it may at least create a level of **disruption in the player's gambling activity to facilitate better self-control**, thereby enabling them to reflect on their decision-making before they consider applying for a loan or overdraft.

Use of illegal lending sources e.g. loan sharks

One of the most severe consequences of not being able to use credit cards for gambling might be that a consumer has recourse to illegal money lending such as loan sharks. A small data set provided to us by the England Illegal Money Lending

Team (part of National Trading Standards) shows that, in the first half of 2018, 6% of citizens that borrowed money from a loan shark did so to fund gambling. (6% of those citizens who engaged with the Illegal Money Lending Team. We understand that many victims of loan sharks are reluctant to engage, and as such the reasons for their borrowing money would remain unknown). Further, from 2018 data, 21% of loan shark victims had gambled in the past year and 8% said they were worried about their gambling (whether or not they actually borrowed from a loan shark to directly fund their gambling). This indicates that there is a sector of society at an extremely high risk of financial (and probably other) harm from gambling.

Where the Commission changes its regulatory framework, it needs to ensure that consumer protection is enhanced by the regulatory change and that any negative, if unintended, consequences have been considered. Before proposing any changes to the use of credit cards for gambling we will therefore need to assess the risks of consumers either using illegal forms of money lending to participate in legal gambling, or indeed consumers having recourse to illegal gambling if licensed operators were unable to accept credit card payments. We will continue to engage with charities, Citizens Advice and experts on the prevention of illegal money lending to better understand these risks.

Risk of turning to crime if credit cards were prohibited

Due to experiences of severe gambling-related harm, some individuals will commit fraud or theft offences to fund their gambling, causing a loss to a third party. The nature of such crimes can involve the theft and fraudulent use of credit and debit cards, or otherwise stolen money, and the victims might include the person's employer, a member of the public, or the family and friends of the gambler. Where the latter are involved, the crime itself may go unreported.

Prohibiting credit cards for online gambling might make such cards less appealing as a target for theft to directly fund gambling (unless of course the person stealing the card can also obtain the PIN number and thereby use the card to withdraw cash). There is nevertheless a theoretical possibility that some individuals may resort to other forms of fraud or theft to finance their gambling if unable to use their credit cards. We do not however consider this argument, on its own, to be a sufficiently strong reason for continuing to permit the use of credit cards.

Loss of data for algorithms if credit cards were prohibited

Several remote gambling operators have developed algorithms to enable them to better detect potentially problematic play among their customers. The algorithms generally use a range of variables such as increases in deposit sizes, the time of day that someone gambles, and some operators have used variables that relate to credit cards. Credit card usage by a consumer might therefore help an operator to form a picture of that customer's risk profile. Of course, if the consumer were to gamble *instead* with other forms of borrowed money, the operator would be much less likely to have visibility of the sources of those funds, and they would therefore lose a tranche of data for their algorithm.

We are not however convinced that the use of credit cards as a variable in risk detection algorithms is an adequate reason, on its own, to continue to permit credit cards for online gambling. We do not think it would be appropriate to retain a form of payment method – if strongly associated with harm - on the basis that such retention could enable operators to identify and monitor credit card usage as a basis for possible customer interaction. Further, we are not aware of any operator currently including 'credit card usage' as a harm indicator, rather that some operators are using 'number of cards or payment methods' as a marker of harm.

Loss of protection under the Consumer Credit Act 1974

Retail purchases made by credit card may be protected under s.75 of the Consumer Credit Act (CCA) 1974, for example if the retailer with whom a purchase is made was to become insolvent. The credit card company assumes joint responsibility for the supply of goods and services with the retailer. This provision applies to credit card transactions greater than £100, and the same level of protection is generally not afforded to purchases made by debit card.

While gambling transactions are typically treated as cash advances rather than purchases, a gambling consumer may be able to pursue a claim against his credit provider under the CCA for any gambling deposits greater than £100 made by credit card, if the gambling operator was to become insolvent (ie the operator, as retailer, was unable to provide the gambling service). We would be interested to understand whether there are any consumers who use credit cards for online gambling *because* of the possible protections afforded by the CCA, and we have included a consultation question as part of this exercise to which they can respond.

Overseas gambling consumers often do not have debit cards

The RGSB advice noted that debit cards are not widely available in other jurisdictions, and that the impact on overseas players from a restriction on credit cards would need to be understood. We will be exploring this point further with operators and payment providers as part of our data requests to understand the volumes of overseas transactions, the means by which they are made, and the technological capacity to limit the types of transactions by jurisdiction. In doing so we note and agree with the RGSB advice that the prevalence of any given payment method among overseas gamblers should not prevent action being taken to protect British-based consumers.

Gambling with a credit card through an 'e-wallet'

There is a wide range of payment options available to consumers, including online gamblers. While some consumers may choose to make their deposits on a website directly using either their debit or credit card, some may instead make a payment via an e-wallet. These include, for example, the **PaySafe group (including Skrill, Ukash and Netteller), PayPal, G2A and Eco Payz**. E-wallets can be used by overseas consumers, although availability may be limited to certain countries.

The e-wallet will be a conduit for making a payment via either debit or credit card, or the wallet may enable the consumer to otherwise pay directly from their bank account. Some wallets may also offer their own credit facility. We understand that PayPal has chosen not to process any credit card deposits for gambling and does not permit the use of their credit facility for gambling.

We understand from early enquiries that **online gambling operators do not have visibility** of whether a customer funds their gambling through either a debit or credit card **when that customer deposits funds on the gambling website using an e-wallet**. We will explore with the wallet providers whether there are ways of improving transparency in this regard and will ask operators to provide us with data as to the **volume of transactions that are made through e-wallets** compared to deposits made 'directly' with a debit or credit card.

Possible alternatives to prohibiting or restricting credit card use

We invite respondents to provide us with evidence or suggestions they may have for any measures that could provide more effective protection to consumers who are at risk of harm due to gambling with more money they cannot afford. Here we outline a handful of possibilities that may act as alternatives to a prohibition on credit card use for gambling, and we welcome comments on any of these.

We stress that the following are only examples, and we welcome evidence (particularly from operators) as to whether any of these measures have been trialled and evaluated.

Allowing customers to block their cards for gambling.

The development of any such systems might need to be led by banks and card issuers rather than gambling operators and might involve either the blocking of the merchant category codes for gambling or perhaps some system of blocking 16-digit card numbers.

We are aware that Monzo and Starling online banks have delivered systems that permit their customers to block gambling transactions, and initial feedback from them indicates that the facility has been popular among their consumers, including many of those who do not appear to have any problems with their gambling. Barclays Bank has recently introduced a blocking facility for its debit card users with the mobile banking app (the ability to block various types of transaction including gambling), with similar facilities to follow subsequently for its credit card customers. Other banks have recently announced that they intend to follow suit.

We have also encouraged other banks and lenders, through our work with **UK Finance** <<https://www.ukfinance.org.uk/>> and the Money and Mental Health Policy Institute, to consider how they might deliver similar protections for their own customers. We will continue our dialogue with UK Finance and anticipate some progress from its members in the coming months. (UK Finance represents around 300 firms that provide finance, banking, markets and payments-related services in or from the UK. It was created by combining most of the activities of the Asset Based Finance Association, the British Bankers' Association, the Council of Mortgage Lenders, Financial Fraud Action UK, Payments UK and the UK Cards Association).

We will also need to understand the limitations of such initiatives. Self-exclusion, for example, is provided on a voluntary basis but not all individuals at a high risk of gambling-related harm choose to use self-exclusion provisions. Similarly, we would expect that where card-blocking is available on a voluntary basis to consumers, some individuals suffering from harm will choose not to use the facilities, even if they were made widely available and were effective for those who did use them. Further, a user may choose to terminate his card block after a short period of time. As such, it may be necessary for other safeguards to be made available to consumers.

Operators could impose restrictions on the use of credit cards by their customers.

For example,

- imposing maximum deposit amounts and/or frequency of card use
- new customers not being allowed to use a credit card until an assessment of affordability had been undertaken, or the operator had analysed the customer's patterns of play and demonstrated that the player was low risk
- limiting access to credit cards at certain times of day depending on the player's behavioural risk, as identified and analysed by the operator.

These measures would however be reliant on the effectiveness of operators' algorithms.

The use of operator-imposed account limits that can only be amended once information about the consumer has been verified.

In our Review of Online Gambling we stated our intention to consult on requirements for mandatory account limits that could only be amended when operators had verified information about the player (for example information on the amount the consumer might be able to afford to gamble). We recently held a consultation through which we sought views about the types of data operators currently use or could use to assess and limit the risks of their customers spending more than they can afford. We will continue to explore with remote operators the types of data they might be able to access to help them to assess how much a customer might be able to afford to gamble. This may include their taking account of customer credit reference information (e.g. to assess the likelihood of the consumer being at risk of financial harm through extensive borrowing).

Warning messages at the point of deposit that explain to the consumer the risks of using credit cards.

However, evidence demonstrates that those players who are most at risk of experiencing gambling-related harm are by nature more likely to ignore information provided to assist in controlled self-regulated gambling. Further, while effective at changing knowledge, messaging is often ineffective at changing behaviours (see page 22 of **Operator-Based Approaches to Harm Minimisation in Gambling** <<http://about.gambleaware.org/media/1177/obhm-report-final-version.pdf>>).

Operators could take specific account of credit card usage as a key factor in their risk assessments.

It would however be essential for operators to ensure that the *identification* of credit card usage translated, in practice, to meaningful harm prevention.

Generating data to develop the evidence base

As outlined above, our intention with this current call for evidence is to develop our understanding of the issues and the risks of harm associated with gambling with credit cards; to understand both the benefits and the possible negative consequences of prohibiting gambling via credit cards; and to understand the range of measures that could be used to address any harm.

We will set out some detailed proposals for further consultation. Those proposals will be partly based on any evidence gathered directly from this exercise, for which we have provided consultation questions for people to respond to. But this exercise will be complemented by various other strands of work aimed at developing our understanding of gambling with credit, which are described in more detail below.

Understanding, measuring and monitoring gambling-related harms

In July 2018 the Commission, RGSB and Gamble Aware published a **report** <https://www.gamblingcommission.gov.uk/PDF/Measuring-gambling-related-harms.pdf> which provided a framework for how gambling-related harms could be better measured and understood. It outlined a range of harms that might be associated with gambling, including harms related to money and debt such as financial insecurity and reduced disposable income. The report outlined some of the key metrics for measuring those harms including the use of credit cards and unsecured loans for gambling, reduced credit scores and increased financial exclusion.

Our **research programme** <https://www.gamblingcommission.gov.uk/PDF/Research-Programme-2018-22.pdf> will commission work to improve our understanding of the nature of the various forms of harm, and our ability to measure the social costs of those harms. The programme will pilot a range of studies in the first instance, one of which will be to better understand the link between gambling and financial hardship. The pilot will explore the use of foodbanks by gamblers as one of the metrics by which to measure the costs of such harms.

Analysis of patterns of play and the associations between harms and gambling products, environments and characteristics

We will also commission work under our research programme to explore whether people gamble differently on different products and in different environments. We will aim to identify whether some forms of gambling are more harmful than others, and which characteristics of gambling are most strongly associated with harm. We expect one of the strands of this work to focus on gambling that has been funded with borrowed money including credit cards.

Online omnibus/tracker

As described previously, the Commission collects quarterly datasets gathered via a combination of telephone and online surveys, conducted independently by Populus. The datasets typically cover the past four-week gambling participation rate, problem gambling estimates, online gambling behaviour, consumer awareness of gambling tools, and perceptions and attitudes towards gambling.

We included questions on gambling with borrowed money in the winter 2018 survey to explore whether gambling participants have used any form of borrowed money to fund their gambling (such as credit cards, overdrafts or payday loans) and whether these were used for online or non-remote gambling. The key results are outlined above.

While sample sizes are relatively small, and the survey participants are only asked to complete a short-form 'mini-screen' for problem gambling rather than the full questionnaire, the data provides some important insights as to the possible correlations between credit card use and problem gambling (or indeed non-problem gambling) status. We will repeat this data-gathering exercise again in future quarters to validate the sample of results obtained.

Wider engagement

The Commission has had discussions with organisations such as debt-relief charities to understand whether consumers are presenting themselves to those charities with gambling-related harms. We have also engaged with consumers who have accessed services and facilities that provide treatment for gambling-related harm. We will continue to engage with these organisations and consumers and will focus some of our discussions around borrowing money for gambling.

Operator trials

The new national strategy to reduce gambling harms, the **successor to the National Responsible Gambling Strategy** <<https://www.gamblingcommission.gov.uk/news-action-and-statistics/Consultations/Open-consultations/Consultation-on-the-national-strategy-to-reduce-gambling-harms.aspx>> , will be published in April 2019. Two of the five proposed priority areas of that strategy - evaluation and gambling businesses – are linked, and proposed priority actions for the first year of the strategy include targeted collaboration and an increased co-ordination of the efforts by gambling businesses to identify, test, evaluate and share evidence of what works to reduce the risk of harms.

As part of this priority action we would welcome any proposals from operators to trial measures that are aimed specifically at reducing the risks of harm to consumers from gambling with borrowed money. This might include, for example, trials that limit or prevent credit card use by the operator’s customers, or measures that allow their customers to block their credit cards from the operator’s website (examples of such measures were discussed earlier).

Data requests

We will be requesting information from a range of stakeholders, including gambling operators and financial institutions, to help us develop our understanding of the issues concerning gambling with borrowed money. These requests will be made outside of this call for evidence, and we will contact the most appropriate stakeholders in order to coordinate the data gathering efficiently. We anticipate most of our requests being made initially through the Remote Gambling Association (RGA) where the data would be held by licensed gambling operators, and to UK Finance where any data would be held only by financial service providers or credit reference agencies, for example.

A broad overview of the types of data we will be requesting is provided below, although we would emphasise that these are examples rather than an exhaustive list of all the data we may need to develop our understanding of gambling with borrowed money.

Recipient of request	Data
Gambling operators	<ul style="list-style-type: none"> <li data-bbox="402 1413 1003 1598">• The total value of deposits made by credit card over a certain time period (along with, by way of comparison, the total value of deposits made by debit card over the same period); and total deposits made through an e-wallet. <li data-bbox="402 1661 1003 1845">• The percentage of an operator’s overall active customer base that deposited funds with a credit card at any point within a defined time period including whether those customers only use a credit card for gambling or whether they use mixed methods of payment. <li data-bbox="402 1908 1003 1965">• The percentage of an operator’s customer base who deposit amounts within certain ranges via credit card

	<p>(e.g. within ranges of £0 to £5, £5 to £10 etc), alongside the frequency with which customers make deposits of those amounts; within a defined time period.</p> <ul style="list-style-type: none"> • Linked to the above, data to inform an assessment as to whether customers typically make large and infrequent deposits via credit card, or small and frequent deposits (or whether patterns are more erratic than this). • The number of customers that have more than one active credit card associated with their account. • Data on the volume and value of transactions made by overseas consumers, and the means by which such deposits were made. We will also explore with operators and financial service providers their technological capacity to limit the types of transactions by jurisdiction.
Banks and Lenders, Credit Reference Agencies	Data on the prevalence of different forms of lending in the economy, and data to inform whether there are certain demographics such as younger adult males who find it more difficult to access traditional forms of lending such as credit cards.
E-wallet providers	Whether the e-wallet businesses can provide data on the funding of gambling by debit cards and, separately, credit cards .

Questions – all stakeholders

5 Do you have any comments on the risks and concerns associated with gambling with credit cards?

Key risks and concerns associated with gambling with credit cards

Charges incurred by consumers for gambling transactions made with a credit card

All the major credit cards appear to **treat gambling transactions as a cash advance**, or in any case, gambling transactions are subject to the same levels of fees and interest rates as cash advances. This means that when a consumer deposits money from a credit card into an online gambling account, for example, the transaction will typically be:

- Subject to a **cash advance fee** between 3% and 5%, often with a minimum fee of £3.
- Subject to a **higher interest rate** than credit card purchases. For example, the transaction will be subject to approximately 30% interest rather than 15% to 20% for standard purchases.
- Subject to interest accruals **from the date of the transaction**. This contrasts with non-gambling purchases for which there is usually a period, after the transaction has been made, before the purchase begins to accrue interest.

As such, the cost to the consumer of depositing e.g. £200 onto a gambling website via a credit card will be higher than if they deposited £200 via a debit card. To illustrate, a £200 credit card deposit would immediately attract a cash advance fee of £6 (based on 3%) plus around £4 in interest in the first 30 days of the transaction, assuming an APR for cash advance transactions of around 25%. So, the £200 credit card deposit will have cost the consumer £210 in the 30 days after the deposit being made.

Gambling transactions via credit card are also likely to **detrimentally affect a person's credit score**, due to gambling transactions being treated as cash advances which are viewed negatively by lenders (ie cash advances indicate poor financial management).

Where the credit card offers rewards for purchases (such as cashback or Air Miles), such rewards cannot usually be obtained for transactions treated as cash advances i.e. including gambling transactions. With the forfeiture of any usual rewards for a gambling (cash) transaction, there appear to be no financial benefits to the consumer of using a credit card for gambling instead of a debit card – seemingly, there are only financial detriments.

Any consumer using their credit card for gambling may be doing so **in the absence of having enough funds in their own bank account**. The datasets detailed below, while based on relatively small sample sizes, might suggest **that any such consumer is at a higher risk of gambling-related harm** insofar as they do not have enough money with which to gamble but continue to do so via credit card, incurring additional costs in the process.

Gambling-related harm

The Commission's **research programme** includes a commitment to developing our understanding of harms and their societal impact, including financial harm, along with the patterns of play associated with gambling on credit. This work is described in more detail below.

While there is currently a limited evidence base to explain the relationship between gambling on credit cards (or other forms of borrowed money) and gambling-related harm, some small data sets do seem to indicate a strong correlation between the two, and that credit cards are disproportionately used by those at higher risks of harm.

The **Citizen's Advice** report 'Out of luck'

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Out%20of%20Luck.pdf> explored the impacts of problem gambling and gathered some data on credit card use for gambling. We asked Citizen's Advice to provide a further breakdown of some of the data reported at page 10, to distinguish between use of credit for gambling by problem and non-problem gamblers. The survey was relatively small (849 current or past gamblers) but among those who said they had **never had a problem with their gambling, 4% reported having used a credit card for gambling**

and 4% had used an overdraft. Among those who currently or previously had a **problem with their gambling, 43% reported having used a credit card for gambling and 49% had used an overdraft.**

We also obtained recent data from participants in our quarterly research. These datasets are gathered via a combination of telephone and online surveys, conducted independently by Populus, and typically cover the past four-week gambling participation rate, including problem gambling estimates. For the first time we recently included questions in the survey about gambling with borrowed money.

Given that the sample sizes are relatively small, some caution needs to be exercised in drawing conclusions from the data. However, our survey results do appear to support the data from the Citizens Advice report and show a strong correlation between problem gambling status and the use of borrowed money including credit cards. These small surveys might therefore indicate a correlation between credit and harm on a wider scale.

Credit cards

- 9.5% of respondents had used a credit card (157 people)
- 22% of those were problem gamblers while 43% were non-problem gamblers (the remaining 35% of participants who used credit cards were either a low or moderate risk of harm)
 - That means 40% of all survey respondents who identified as problem gamblers had used a credit card (i.e. 34 people from a total of 85 survey respondents who identified as problem gamblers)
 - 5.5% of all survey respondents who identified as non-problem gamblers had used a credit card (68 people from a total of 1236 respondents who identified as non-problem gamblers)

Overdrafts

- 4% of respondents had used an overdraft (65 people)
- 38.5% of those were problem gamblers while 12% were non- problem gamblers
 - That means 29% of all survey respondents who identified as problem gamblers had used an overdraft (25 out of 85)
 - 0.6% of all survey respondents who identified as non- problem gamblers had used an overdraft (8 out of 1236)

Payday loans

- 1.6% of respondents had used a payday loan (25 people)
- 80% of those were problem gamblers while 4% were non-problem gamblers
 - That means 23.5% of all survey respondents who identified as problem gamblers had used a payday loan (20 out of 85)
 - 0.1% of all survey respondents who identified as non- problem gamblers had used a payday loan (1 out of 1236)

The use of credit cards for gambling should not simply be conflated with, or seen as synonymous with, gambling-related harm. That is, and as the data indicates, not all consumers who use a credit card for gambling will necessarily be at risk of harm. However, the data outlined above indicates that there is likely to be a strong correlation between credit card use and gambling-related harms, and we intend to explore this further as part of our work. For example;

- given the financial detriments associated with using a credit card for gambling, a consumer using a credit card for gambling is likely to be **gambling with funds that they do not otherwise have (for the reasons set out above)**;
- that consumer's total gambling spend (ie deposit) will be **increased by the interest and fees** they incur through their credit card transactions for gambling; and
- the consumer may be at risk of **chasing higher wins** in order to cover those fees and interest costs.

It should be noted that even in circumstances when a non-problem gambler uses a credit card for gambling, they will be subject to the fees and charges associated with that card usage. Those costs could be averted if they instead used a debit card (ie their own money rather than borrowed money). If the evidence suggests that credit cards do increase the risk of people gambling with more money than they can afford - and that credit cards are a punitive means of gambling with borrowed funds, whether the user is at risk of harm or otherwise - then the case for prohibition is stronger.

6 Do you have any comments whether, on balance and given those concerns, the Commission should consider prohibiting or restricting credit cards for gambling?

7 Do you have any comments on the potential pitfalls of prohibiting or restricting the use of credit cards for gambling?

- In particular, do you have any views on the risks of consumers trying to access other forms of lending for gambling (such as payday loans or overdrafts) should credit cards not be available for them to use?
- Do you think the possibility of those risks alone is a sufficient reason for the Commission to continue to permit the use of credit cards for gambling?
- Have you ever used a credit card for gambling either primarily or partly because of the protection afforded by the Consumer Credit Act (ie credit card deposits greater than £100 are likely to be protected in the event of operator insolvency)?

8 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?

List of possible alternatives to prohibiting or restricting credit card use

- **Allowing customers to block their cards for gambling.**
- **Operators could impose restrictions on the use of credit cards by their customers**
- **The use of operator-imposed account limits that can only be amended once information about the consumer has been verified**
- **Warning messages at the point of deposit**
- **Operators could take specific account of credit card usage as a key factor in their risk assessments.**
- What are your views on the alternative measures suggested?