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# Consultation on High Value Customers

## Overview

Individuals whose gambling custom is of exceptional commercial value to licensees are often labelled as 'VIPs', 'high value customers (HVC's)' or equivalent. That status often means those customers enjoy tailored bonuses, gifts, hospitality and preferential service from the licensee designed to maintain or increase their custom.

The management and incentivisation of these customers (referred to as 'HVCs' in this consultation) poses two key regulatory challenges:

1. HVCs are more heavily engaged gamblers in terms of their gambling spend, the frequency with which they gamble, or both. Heavily engaged gamblers are at greater risk of gambling-related harm.
2. The disproportionate financial value of HVCs to licensees means regulatory compliance can conflict with short-term commercial objectives.

We are concerned that these regulatory challenges have not been consistently met by licensees. This has resulted in repeated instances of gambling-related harm and in some cases, failure to prevent criminal proceeds being spent on gambling.

Evidence from our compliance and enforcement work and the feedback we have collected from consumers suggests that existing regulatory requirements that cover all customers are not being tailored and applied effectively to HVCs.

We have considered the voluntary safeguards proposed by an industry working group in April 2020. We are now proposing mandatory requirements for the management and incentivisation of HVCs.

This consultation will be of interest to licensees, consumers and consumer interest groups, charities, academics and organisations with an interest in gambling regulation.

## Introduction

### 1 What is your name?

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.

Email

## 3 What is your organisation?

Organisation

## 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.

*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

## Why are we consulting?

For tailored incentives and bonuses to continue to have a place in the gambling industry, we need to be satisfied they are being offered in a manner which is consistent with the licensing objectives.

As HVCs are a subset of the wider customer base, licensees should already be applying regulatory controls concerning customer protection and due diligence. Much of what we are proposing in this consultation will not represent an additional burden to compliant licensees.

Communicating clearly how existing and additional requirements specific to HVCs should be applied will give a clearer basis for the Commission to enforce minimum standards. That should result in higher standards of customer protection and reduce the incidence of gambling-related crime.

The provision of guidance will help licensees assess whether they are able to provide HVC schemes with the necessary safeguards. Where a licensee cannot provide that assurance, they will be required to cease offering such schemes/incentives.

### **High value customers (HVCs)**

There is no single definition of what constitutes a HVC. The categorisation and management of HVCs is determined by the individual licensee's business model and is relative to their overall customer base.

We therefore do not intend to define HVCs. This consultation and any requirements that follow cover those customers identified by a licensee as being of enough commercial value to warrant enhanced customer service unavailable to the wider customer base. Such treatment may include but is not restricted to:

- Invitation to hospitality, events, dinners or other enhanced services
- Personal account management/dedicated point of contact with the licensee
- Individualised bonuses, benefits or gifts.

Gambling companies incentivise HVCs for commercial benefit. In pursuit of those benefits, licensees must recognise and address the higher inherent risks which come with customers who are heavily engaged gamblers either by spend, frequency or both.

A theme of our enforcement work over recent years has been a failure by licensees to manage HVCs responsibly. Under a risk-based approach we would expect to see additional controls applied to HVCs, but too often we have found the opposite with existing requirements applicable to all customers watered down or not applied rigorously to HVCs.

Enforcement investigations and sanctions for HVC failings have been effective in raising standards with individual licensees. In October 2019, in order to bring a rapid improvement in collective standards, we challenged the industry to work together to develop and implement a HVC code of conduct. The challenge called for the industry to address the failings our casework had highlighted and take account of the testimony from former HVCs and others with knowledge of HVC schemes. We shared concerns around four key areas as summarised below. We also challenged representatives from across the industry to undertake an honest reassessment of current industry practices and the regulatory risks they pose.

- Know your customer - assessing and mitigating risk
- Oversight and accountability of HVC teams
- Relationship management
- Use of incentives

### **Know your customer - Assessing and mitigating risk**

Before a licensee treats someone as having a high disposable income which can fund high gambling spend (and incentivise them as such), they need to ensure that is based on robust 'know your customer' and due diligence checks. This has not been the case on a number of occasions, with common themes from our casework including:

- Failure to undertake appropriate checks on HVCs and whether they can afford their gambling spend - initially and ongoing
- Accepting limited or questionable source of funds evidence in a tick-box fashion
- On numerous occasions the above has resulted in a customer deemed to be wealthy, and incentivised as such, found to be funding their gambling from problem debt and/or the proceeds of crime.

Where a customer is identified for a personalised service or tailored incentives, the opportunity for effective player protection as part of the enhanced customer service should increase given the greater engagement and potential to obtain knowledge of that customer. Our casework and testimony from HVCs demonstrate that the opposite has often been true. Information on customer habits, preferences and vulnerabilities have been exploited with the driver for relationships being to increase customer spend to the exclusion of other considerations. This has manifested itself as:

- A focus on access to funding rather than affordability of funding
- Failure to undertake effective customer interactions despite clear markers of harm being shown
- Failure to maintain appropriate records in relation to HVC welfare considerations
- A reluctance to apply limits or promote gambling management tools

- Licensees placing HVCs outside standard processes for interaction, based either on commercial imperatives or a false notion that wealthy customers (or assumed wealthy customers) are insulated from gambling-related harm.

### **Oversight and accountability for HVC teams**

To manage HVCs, a number of licensees have created dedicated teams. Given the regulatory risks these teams are directly involved in managing, their operation and performance should be subject to proper oversight and scrutiny by the licensee's senior management.

However, in a number of cases the delivery of commercial performance has been the focus of these teams, resulting in:

- HVC teams operating in isolation from safer gambling, compliance, or AML teams
- A lack of appropriate oversight and senior accountability for HVC teams
- An absence of appropriate records and audit trails for decisions taken within HVC teams or at Executive level
- Tailored approaches to safer gambling or AML processes being undertaken by HVC teams or Senior Executives with commercial considerations taking precedence over regulatory risk
- Breaching internal policies for HVCs.

### **Relationship management**

The management of HVCs has been the focus of attention given the tension between commercial objectives and customer safety. Licensees need to ensure HVC staff and Executives are incentivised to strike the correct balance between commercial targets and the licensing objectives.

Some licensees have failed to ensure relationships between staff and HVCs remain professional with the behaviour demonstrably consistent with the licensing objectives.

Our casework and testimony from former HVCs who have experienced gambling-related harm have exposed relationships between staff and HVCs in which staff members' pursuit of commercial objectives had led to irresponsible and, on occasion, exploitative behaviour.

Examples include:

- Conducting "keep in contact" style arrangements with HVCs at the customers' home addresses, on at least one occasion during a period of self-exclusion
- Exploiting customer vulnerability in the case of ill-health, bereavement or where other markers of harm have been clearly demonstrated

- Undertaking high-volume unsolicited engagement with inactive HVC customers or with those known to be suffering from social isolation
- An absence of objectivity, with assessments of regulatory risk undertaken by staff who are incentivised to maximise customer revenues
- Staff undertaking interactions or due diligence in a tick-box fashion
- Linking customer interactions with bonuses or incentives
- Staff colluding with a HVC to mask their HVC status from family members or friends and failing to act on this as a potential marker of harm
- Communicating with the HVC outside company systems, for example through WhatsApp and other social media platforms, with no records kept.

### **Use of incentives**

In several cases resulting in a customer experiencing gambling-related harm, the licensee has failed to demonstrate how they considered the appropriateness of incentives they offered to the HVC. In some cases, this has resulted in incentives exacerbating at-risk behaviour.

Feedback collected from former HVCs has suggested that monetary incentives (eg. rebates on losses, free bets/credits) were the main type of incentive used in their experience. They claim incentives were used to accelerate spend, cross-sell to other gambling products offered by the licensee, encourage them to recommence gambling after a period of inactivity, or to placate them when distressed or disgruntled following heavy losses.

The timing, nature and persistence of offers or incentives in circumstances where markers of harm are evident are a serious cause of concern. In a number of cases, licensees have failed to evidence what steps they have taken to ensure the risks associated with common issues like those below have been considered and mitigated:

- Offer of gifts which require or prompt additional gambling, immediately or in the future
- The timing of offers, for example where a HVC has just experienced heavy losses and/or gambled all their account balance or funds
- Giving credence to irrational beliefs held by the HVC about gambling and luck
- Equating HVC status to enhanced social status
- Exploiting vulnerability where personal, situational or behavioral circumstances mean a HVC may be especially susceptible to detriment **[1]**
- Situations where it is apparent a HVC is increasing spend, frequency or both in pursuit of bonuses or HVC status
- Misrepresentation of the source or reason for incentives.

The industry working group responded to our challenge by sharing a draft industry code in March 2020. For the code to be an effective interim step we have urged the industry to implement it quickly.

Voluntary undertakings are unlikely to provide confidence that licensees will be held to account if bad practice continues. That is why we committed to use the industry's code as the basis for an LCCP consultation in 2020 to ensure minimum requirements are enforceable across the whole industry and to avoid any confusion over the status of the requirements.

**[1]** Taking account of existing customer interaction guidance published July 2019 which covers vulnerability including:

**Personal** would include where an individual is experiencing poor physical or mental health, physical or cognitive impairment, suffering side effects from injury, medication or addiction.

**Situational** would include where an individual is experiencing financial difficulties, is suffering from domestic or financial abuse, has caring responsibilities, experiences a life change or sudden change in circumstances.

**Behavioural** would include where an individual has a higher than standard level of trust or high appetite for risk.

# Our proposals: Licence Conditions and Codes of Practice

## Licence conditions and codes of practice

To address the concerns, and to ensure that standards are raised consistently across all sectors of the industry, we propose amending the LCCP. We are proposing an addition to the existing **Social responsibility code provision 5.1.1 – Rewards and bonuses**.

We propose the adding of requirement 2 (italicised) to be specific about the management of HVCs.

### **Social responsibility code provision 5.1.1**

#### **Rewards and bonuses – SR code**

#### **All licences (including ancillary remote licences), except gaming machine technical and gambling software licences**

**1** If a licensee makes available to any customer or potential customer any incentive or reward scheme or other arrangement under which the customer may receive money, goods, services or any other advantage (including the discharge in whole or in part of any liability of his) ('the benefit') the scheme must be designed to operate, and be operated, in such a way that:

**a** the circumstances in which, and conditions subject to which, the benefit is available are clearly set out and readily accessible to the customers to whom it is offered;

**b** neither the receipt nor the value or amount of the benefit is:

**i** dependent on the customer gambling for a pre-determined length of time or with a pre-determined frequency; or

**ii** altered or increased if the qualifying activity or spend is reached within a shorter time than the whole period over which the benefit is offered.

**c** if the value of the benefit increases with the amount the customer spends it does so at a rate no greater than that at which the amount spent increases; and further that:

**d** if the benefit comprises free or subsidised travel or accommodation which facilitates the customer's attendance at particular licensed premises the terms on which it is offered are not directly related to the level of the customer's prospective gambling.



**2. If a licensee makes available incentives or reward schemes for customers designated by the licensee as 'high value', 'VIP' or equivalent they must be offered in a manner which is consistent with the licensing objectives.**

*Licensees must take into account the Commission's guidance on high value customer incentives.*

Our preference is to set out the outcome required and provide supporting guidance on how that may be achieved. This approach means licensees retain flexibility in how they deliver the required outcome and avoids a prescriptive 'one size fits all' regulatory requirement.

The effectiveness of this approach relies upon licensees taking responsibility for ensuring they operate their businesses to comply with both the letter and the spirit of the requirement.

Licensees should be on notice that where this approach fails to deliver the outcomes required, we will propose more prescriptive requirements either for specific licensees or through additional general licence conditions.

## **5 Do you agree with the proposed new wording of the social responsibility code 5.1.1?**

*Please select only one item*

- Strongly agree    Agree    Neither agree nor disagree    Disagree  
 Strongly disagree

Further comments

# Our proposals: Guidance on High Value Customers

## Guidance on high value customer incentives

We are proposing amendments to **Social Responsibility Code Provision 5.1.1** to outline our expectations and incorporate new requirements specific to HVCs. This will require licensees to take into account the accompanying guidance, which sets out the controls that should be in place in respect of HVCs.

The proposal is that the guidance will cover:

- Know your customer - assessing and mitigating risk
- Oversight and accountability
- Relationship management
- Use of incentives

The guidance is intended to cover the key themes and risks that have been raised. It signposts licensees to existing requirements relevant to the management of all customers including HVCs.

The draft guidance proposes the controls we consider should be in place as a minimum before a licensee chooses to operate a HVC scheme. Where a licensee deviates from the guidance they will need to demonstrate how their chosen approach is consistent with the licensing objectives, which is the outcome required in the proposed LCCP.

Existing LCCP requirements make licensees responsible for the actions of third parties with whom they contract for the provision of any aspect of their business related to the licensed activities. We are satisfied that any risk posed by the activity of affiliates is therefore already addressed under the existing regulatory framework.

The draft guidance can be viewed as PDF, or by expanding the following drop-down link:

Your browser does not support inline PDF viewing. Please **download the PDF**

[user\\_uploads/hvcs-guidance-draft-june.pdf](user_uploads/hvcs-guidance-draft-june.pdf) .

# Our proposed guidance

**DRAFT**

## **High Value Customers: Industry Guidance**

**June 2020**

### **1. Introduction**

#### **How to use this guidance**

1.1 This document provides guidance for licensees in relation to social responsibility code provision (SRCP) 5.1.1 on rewards and bonuses for high value customers (HVCs), also known as 'VIPs'. It is designed to help licensees assess whether they can provide HVC schemes with the necessary safeguards as set out in SRCP 5.1.1(2), which provides that:

#### **Social responsibility code provision 5.1.1**

##### **Rewards and bonuses – SR code**

*All licences (including ancillary remote licences), except gaming machine technical and gambling software licences*

2. If a licensee makes available incentives or reward schemes for customers, designated by the licensee as 'high value', 'VIP' or equivalent, they must be offered in a manner which is consistent with the licensing objectives.

Licensees must take into account the Commission's guidance on high value customer incentives.

1.2 SRCP 5.1.1(2) places responsibility on licensees to assess the risks of incentivising HVCs. This guidance sets out the minimum expectations that licensees should be meeting to mitigate that risk. Where a licensee cannot meet these minimum expectations, they should not be operating HVC incentive schemes.

1.3 Licensees are required to apply player protection controls, affordability checks, and due diligence to all customers. This guidance supplements existing requirements related to customer protection, the prevention of crime or fair and open gambling. In particular, it supplements guidance for licensees on how to meet their customer interaction requirements. It does not supersede existing requirements but sets out the minimum standard that must be met to achieve the intended outcomes for HVC schemes. Licensees should seek independent legal advice where further clarity is required.

1.4 To minimise duplication, section 3 of this guidance is used to signpost licensees to relevant material, most notably the customer interaction guidance, which covers themes such as affordability, vulnerability and evaluation.

1.5 We have used the word 'must' to denote a legal obligation, while the word 'should' is a recommendation of good practice, and is the standard that we expect licensees to adopt and evidence. We expect licensees to be able to explain the reasons for any departures from that standard.

### **Scope of this guidance**

1.6 There is no single definition of what constitutes a HVC. The categorisation and management of HVCs is determined by a licensee's business model and is relative to their overall customer base.

1.7 This guidance covers those customers identified as being of enough commercial value to warrant enhanced customer service unavailable to the wider customer base. Such treatment may include but is not restricted to:

- i. Invitation to hospitality, events, dinners, or other enhanced services
- ii. Personal account management/dedicated point of contact with the licensee<sup>[1]</sup> <#\_ftn1>
- iii. Individualised bonuses, benefits, or gifts.

1.8 Whilst this guidance does not provide a single specific definition of HVCs, we would expect a licensee to be able to provide a clear explanation of how HVCs are defined in their business and how this guidance has been applied.

1.9 This guidance may be amended periodically to take account of emerging good practice or regulatory changes. Minor amendments will be consulted on informally, for example, through industry trade bodies, with more substantive changes subject to public consultation.

[1] <#\_ftnref1> See point 35 for further information on changes to personal circumstances

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## 2. High Value Customer Reward Programmes

### Know your customer - assessing and mitigating risk

2.1 The management and incentivisation of HVCs poses two headline regulatory challenges:

- i. HVCs are more heavily engaged gamblers by spend, frequency or both. Heavily engaged gamblers are at greater risk of gambling related harm.
- ii. The disproportionate financial value of HVCs leaves licensees vulnerable to the accusation they are placing commercial objectives over regulatory compliance.

2.2 Licensees should be taking steps to ensure all customers are gambling with money they can afford to lose (lawfully acquired disposable income) and without experiencing harm. For the general customer base, this assessment requires a risk-based approach often with the use of thresholds or triggers to alert licensees to the need for additional customer checks.

2.3 HVCs pose a heightened risk due to their high levels of engagement by frequency, spend, or both. For a licensee to accept and incentivise a HVC's custom they need to demonstrate how they have assessed and mitigated that heightened risk at the outset of the customer relationship and on an ongoing basis.

2.4 As a minimum, we would expect a licensee to be able to evidence that the following checks are undertaken before making any customer a HVC:

- i. **Affordability** – to establish that spending is affordable and sustainable as part of the customer's leisure spend
- ii. **Safer gambling** – to assess whether there is evidence of gambling related harm, or heightened risk linked to vulnerability
- iii. **Enhanced due diligence** – to ensure the licensee has up to date evidence relating to identity, occupation and source of funds.

2.5 It is important that customer checks are undertaken in a thorough and objective manner. There should be appropriate separation between those with responsibility for customer checks, and those managing the day-to-day relationships and incentivisation of HVCs.

2.6 In verifying a prospective HVC's affordability, licensees should be cautious when considering funds derived from an unplanned financial windfall from gambling or other sources, such as redundancy or inheritance. It is important that licensees can demonstrate that they have considered the sustainability of a customer's leisure spend, not just their access to immediate funding.

2.7 Statistics which estimate the numbers of problem and 'moderate risk' gamblers are published regularly, based on the combined health surveys in England, Scotland and Wales (NatCen 2018). In assessing the risk of gambling related harm, we expect licensees to take account of available research including the latest data on demographic groups who over-index for at-risk or problem gambling rates, for example, 18-34 year old males

2.8 Subject to their assessment of risk, licensees should consider whether additional specific controls should be applied to a HVC's activity, either in consultation with the customer or imposed on a precautionary basis. This is to mitigate the risk to the consumer; failure to do so would put the operating and personal licence at risk. Such controls can be reviewed as appropriate provided decisions are documented and subject to sign-off by a senior executive or equivalent in accordance with the licensee's governance arrangements.

2.9 Where a safer gambling check uncovers evidence a customer has previously been part of a multi-operator self-exclusion scheme, they should not be considered eligible for HVC status.

2.10 At a minimum, licensees should consider the following types of vulnerability, as set out in the customer interaction guidance, as part of any safer gambling assessment criteria:

i. **Personal** - would include where an individual is experiencing poor physical or mental health, physical or cognitive impairment, suffering side effects from injury, medication or addiction.

ii. **Situational** - would include where an individual is experiencing financial difficulties, is suffering from domestic or financial abuse, has caring responsibilities, experiences a life change or sudden change in circumstances.

iii. **Behavioural** - would include where an individual has a higher than standard level of trust or high appetite for risk.

2.11 We expect licensees to take all reasonable steps to verify the information provided to them and conduct ongoing checks. The frequency of such checks should be determined by the assessment of risk from ongoing monitoring of the customer's activity, behaviour and circumstances. In the absence of any change in the risk assessment, licensees should as a minimum undertake a review of a HVC's account at least quarterly.

2.12 Where a HVC fails any of the above checks, their HVC status should be suspended immediately until the licensee has addressed the risk identified in line with the relevant regulatory or legal requirements. This could include undertaking a customer interaction, seeking additional assurance, applying limits on the customer's account, submitting a suspicious activity report (SAR), or discontinuing the customer relationship.

2.13 Where a customer is unable or unwilling to provide the information required, they should not be considered eligible for HVC incentives and licensees should consider the regulatory risk posed by continuing the customer relationship.

2.14 HVCs provide disproportionate revenue to licensees when compared with the wider customer base. This presents a risk of commercial motivations conflicting with regulatory compliance.

2.15 To mitigate this risk, it is important for licensees to have implemented effective policies and procedures for the operation and governance of their HVC schemes. This should include authority levels for key decision making, and appropriate oversight arrangements. No customer contact should be conducted outside the licensee's policies, procedures or systems.

2.16 Each rewards programme should have a named individual, at senior executive level or equivalent, accountable for the programme's compliance. For all licensees (except small-scale operators), we would expect this individual to be a personal management licence holder. Board or Executive committees should be responsible for overseeing appropriate governance arrangements for HVC schemes and keeping these under review.

2.17 A full audit trail should be maintained detailing the management of individual HVCs, including:

- i. notable events with HVCs at all stages of the customer relationship to monitor changes in behavioural and transactional activity. This should include instances where the licensee has attempted to make contact with the customer but received no response and;
- ii. a record of decisions made and all customer contacts irrespective of channel, with details kept in line with the licensee's data retention policy.

2.18 Any review of a HVC's activity should include all accounts the individual has with the licensee or related group licensees irrespective of brand and sector.<sup>[1]</sup> <#\_ftn1>

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[1] <#\_ftnref1> Remote licensees are subject to existing requirements in relation to SRCP 3.9.1 Identification of individual customers

2.19 Audit or assurance functions should be used where appropriate to ensure objective assessments can be made of whether HVC schemes are operating in accordance with the licensing objectives.

2.20 Licensees should consider what additional steps are required to ensure staff are equipped and motivated to manage HVCs effectively, including:

- i. enhanced training on safer gambling and AML risks specific to HVC management. Training should be formally recorded and refreshed regularly, and staff should be appraised on their safer gambling actions.
- ii. job descriptions reflecting that protection of the licensing objectives are the basis for all activity carried out by staff involved with HVC rewards programmes.
- iii. staff should not be incentivised or remunerated based on a customer's loss, spend, or activity.
- iv. the performance management of HVC staff should be consistent with the principle that commercial pressures should never override regulatory considerations or customer welfare.
- v. ensuring staff managing multiple accounts retain their ability to assess risk on an individual basis.

2.21 Customer contact should be conducted in a professional and transparent manner and where possible, colleagues that look after specific HVCs should be rotated to ensure objectivity in decision making is maintained.

2.22 All licensees are required to interact with HVCs in a way which minimises the risk of customers experiencing harms associated with gambling, as set out in SRCP 3.4.1 (on customer interaction) of the licence conditions and codes of practice (LCCP).

2.23 Having collected verified information regarding the HVCs affordability, licensees are well placed to target interactions more effectively where a customer's gambling activity is inconsistent with the information held.



2.24 Licensees must ensure arrangements between HVC teams and other teams (e.g. safer gambling and AML) are working collaboratively to allow for objective decision making and review, based on all available information.

2.25 Licensees should consider the risk of HVCs taking longer to access support through concern that may lead to the removal of their HVC status and rewards. To further protect HVCs, licensees should:

- i. provide regular and enhanced information on gambling management tools
- ii. offer HVCs an active choice whether to set account limits
- iii. make safer gambling resources available to HVCs at any appropriate point of contact
- iv. promptly comply with HVC's requests to be removed from reward programmes and stop any personalised incentives immediately
- v. regularly review the HVC's suitability for incentives
- vi. take action to restrict or terminate personalised incentives if the HVC's spend or play exceeds their usual habits with no supporting explanation.

2.26 HVC incentives should not be used to exploit vulnerable customers or to encourage problematic behaviour. Licensees must be able to evidence how their rewards and bonuses are compliant with the provisions in section 5.1 of the codes of practice.

2.27 We expect the accountable executive or equivalent to be able to demonstrate how they have assured themselves that:

- i. Incentivisation methods do not encourage risk behaviours such as chasing losses, excessive time or money spent gambling, or accelerating frequency of gambling. The timing of incentives is not linked to periods of excessive play or significant losses.
- ii. Information held on individual HVC's habits and preferences is being used to inform responsible incentivisation which is only conducted alongside appropriate consumer protections.
- iii. Incentives are proportionate to a customer's spending pattern and consistent with the licensee's affordability and vulnerability assessment.

iv. Tiered or structured incentive schemes are not promoted to HVCs in a manner which results in individuals gambling excessively to obtain (or retain) a grade or status of HVC which is unsustainable.

2.28 Life events or changes to an individual customer's circumstances may mean that a person becomes more vulnerable to experiencing gambling harms. These changes may include bereavement, loss of income or financial windfall, or a breakdown of personal relationships. Further guidance on the factors that operators should consider are included in our customer interaction guidance.

2.29 Given the personal service extended to HVCs, staff may become aware of risks associated with temporary or longstanding vulnerability. Licensees must ensure the actions and behaviour of staff does not exploit such vulnerabilities - either through the provision or characterisation of incentives, or by engaging in contact which goes beyond a professional level to become one of friend or confidant. In addition, the licensee should have processes in place outlining what action should be taken upon identifying specific vulnerabilities.

2.30 Licensees are responsible for the actions of affiliates with whom they contract for any provision of their HVC acquisition or management. They must ensure contractual provisions are in place to terminate agreements where appropriate.

### **3. Further Guidance**

As outlined above, this guidance specifically concerns the provision of incentives to HVCs. In addition to this, all customers, including those considered to be high-value customers, are subject to the wider requirements of the LCCP for consumer protection. In particular, the following guidance is relevant:

#### **Customer interaction**

Further information on the how to meet the requirements for proactive interaction can be found on our website.

#### **Identity verification**

Further information on age and identity verification requirements can be found on our website.

#### **Anti-money laundering**

Guidance on how to comply with **anti-money laundering responsibilities**

<<https://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/General-compliance/Social-responsibility/Interaction/The-importance-of-interacting-with-customers.aspx>> can be found on our website.

### Online markers of harm research

Further research on **online markers of harm**

<<https://about.gambleaware.org/research/research-publications/online-gambling/>> can be found on the GambleAware website.

**6** Do you agree that concerns regarding the management of HVCs can be addressed with the proposed additions to social responsibility code 5.1.1 and associated guidance?

*Please select only one item*

- Strongly agree    Agree    Neither agree nor disagree    Disagree  
 Strongly disagree

Further comments

7 Do you agree with the proposed use of guidance to help explain the new LCCP requirements?

*Please select only one item*

- Strongly agree    Agree    Neither agree nor disagree    Disagree  
 Strongly disagree

Further comments

## Guidance consultation questions

*The following questions are aimed at all respondents with an interest in gambling regulation and how HVC schemes operate.*

**8** Do you agree with the proposed guidance on what know your customer checks should be undertaken on HVCs?

## Know your customer - assessing and mitigating risk

Extract from our proposed guidance

### Know your customer - assessing and mitigating risk

2.1 The management and incentivisation of HVCs poses two headline regulatory challenges:

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2.8 Subject to their assessment of risk, licensees should consider whether additional specific controls should be applied to a HVC's activity, either in consultation with the customer or imposed on a precautionary basis. This is to mitigate the risk to the consumer; failure to do so would put the operating and personal licence at risk. Such controls can be reviewed as appropriate provided decisions are documented and subject to sign-off by a senior executive or equivalent in accordance with the licensee's governance arrangements.

2.9 Where a safer gambling check uncovers evidence a customer has previously been part of a multi-operator self-exclusion scheme, they should not be considered eligible for HVC status.

2.10 At a minimum, licensees should consider the following types of vulnerability, as set out in the customer interaction guidance, as part of any safer gambling assessment criteria:

- i. **Personal** - would include where an individual is experiencing poor physical or mental health, physical or cognitive impairment, suffering side effects from injury, medication or addiction.
- ii. **Situational** - would include where an individual is experiencing financial difficulties, is suffering from domestic or financial abuse, has caring responsibilities, experiences a life change or sudden change in circumstances.
- iii. **Behavioural** - would include where an individual has a higher than standard level of trust or high appetite for risk.

2.11 We expect licensees to take all reasonable steps to verify the information provided to them and conduct ongoing checks. The frequency of such checks should be determined by the assessment of risk from ongoing monitoring of the customer's activity, behaviour and circumstances. In the absence of any change in the risk assessment, licensees should as a minimum undertake a review of a HVC's account at least quarterly.

2.12 Where a HVC fails any of the above checks, their HVC status should be suspended immediately until the licensee has addressed the risk identified in line with the relevant regulatory or legal requirements. This could include undertaking a customer interaction, seeking additional assurance, applying limits on the customer's account, submitting a suspicious activity report (SAR), or discontinuing the customer relationship.

2.13 Where a customer is unable or unwilling to provide the information required, they should not be considered eligible for HVC incentives and licensees should consider the regulatory risk posed by continuing the customer relationship.

*Please select only one item*

- Strongly agree    Agree    Neither agree nor disagree    Disagree  
 Strongly disagree

Please use the comments box to suggest any additional checks which should be considered and why.

Comments



**9** Do you agree that where a customer has previously been part of a multi-operator self-exclusion scheme (eg. Gamstop or SENSE), they should be prohibited from HVC schemes?

*Please select only one item*

- Strongly agree    Agree    Neither agree nor disagree    Disagree  
 Strongly disagree

**10** Are there additional safeguards or good practice which should be included in the guidance relating to customer checks and the assessment and mitigation of risk?

*Please select only one item*

- Yes    No

If answered yes, please use this space for further comments

**11** Do you agree with the proposed guidance on oversight and accountability for HVC schemes?

## Oversight and accountability

Extract from our proposed guidance

### Oversight and accountability

2.14 HVCs provide disproportionate revenue to licensees when compared with the wider customer base. This presents a risk of commercial motivations conflicting with regulatory compliance.

2.15 To mitigate this risk, it is important for licensees to have implemented effective policies and procedures for the operation and governance of their HVC schemes. This should include authority levels for key decision making, and appropriate oversight arrangements. No customer contact should be conducted outside the licensee's policies, procedures or systems.

2.16 Each rewards programme should have a named individual, at senior executive level or equivalent, accountable for the programme's compliance. For all licensees (except small-scale operators), we would expect this individual to be a personal management licence holder. Board or Executive committees should be responsible for overseeing appropriate governance arrangements for HVC schemes and keeping these under review.

2.17 A full audit trail should be maintained detailing the management of individual HVCs, including:

- i. notable events with HVCs at all stages of the customer relationship to monitor changes in behavioural and transactional activity. This should include instances where the licensee has attempted to make contact with the customer but received no response and;
- ii. a record of decisions made and all customer contacts irrespective of channel, with details kept in line with the licensee's data retention policy.

2.18 Any review of a HVC's activity should include all accounts the individual has with the licensee or related group licensees irrespective of brand and sector.<sup>[1]</sup>

<#\_ftn1>

2.19 Audit or assurance functions should be used where appropriate to ensure objective assessments can be made of whether HVC schemes are operating in accordance with the licensing objectives.

[1] <#\_ftnref1> Remote licensees are subject to existing requirements in relation to SRCP 3.9.1 Identification of individual customers

*Please select only one item*

- Strongly agree    Agree    Neither agree nor disagree    Disagree  
 Strongly disagree

**12** Do you agree with the proposed guidance on maintaining an audit trail for HVC schemes?

*Please select only one item*

- Strongly agree    Agree    Neither agree nor disagree    Disagree  
 Strongly disagree

**13** Are there additional safeguards or good practice which should be included in the guidance relating to oversight and accountability?

*Please select only one item*

- Yes    No

If answered yes, please use this space for further comments

**14** Do you agree with the proposed guidance on relationship management for HVC schemes?

## Relationship management

Extract from our proposed guidance:

### Relationship management

2.20 Licensees should consider what additional steps are required to ensure staff are equipped and motivated to manage HVCs effectively, including:

- i. enhanced training on safer gambling and AML risks specific to HVC management. Training should be formally recorded and refreshed regularly, and staff should be appraised on their safer gambling actions.
- ii. job descriptions reflecting that protection of the licensing objectives are the basis for all activity carried out by staff involved with HVC rewards programmes.
- iii. staff should not be incentivised or remunerated based on a customer's loss, spend, or activity.
- iv. the performance management of HVC staff should be consistent with the principle that commercial pressures should never override regulatory considerations or customer welfare.
- v. ensuring staff managing multiple accounts retain their ability to assess risk on an individual basis.

2.21 Customer contact should be conducted in a professional and transparent manner and where possible, colleagues that look after specific HVCs should be rotated to ensure objectivity in decision making is maintained.

2.22 All licensees are required to interact with HVCs in a way which minimises the risk of customers experiencing harms associated with gambling, as set out in SRCP 3.4.1 (on customer interaction) of the licence conditions and codes of practice (LCCP).

2.23 Having collected verified information regarding the HVCs affordability, licensees are well placed to target interactions more effectively where a customer's gambling activity is inconsistent with the information held.

2.24 Licensees must ensure arrangements between HVC teams and other teams (e.g. safer gambling and AML) are working collaboratively to allow for objective decision making and review, based on all available information.

2.25 Licensees should consider the risk of HVCs taking longer to access support through concern that may lead to the removal of their HVC status and rewards. To further protect HVCs, licensees should:

- i. provide regular and enhanced information on gambling management tools
- ii. offer HVCs an active choice whether to set account limits
- iii. make safer gambling resources available to HVCs at any appropriate point of contact
- iv. promptly comply with HVC's requests to be removed from reward programmes and stop any personalised incentives immediately
- v. regularly review the HVC's suitability for incentives
- vi. take action to restrict or terminate personalised incentives if the HVC's spend or play exceeds their usual habits with no supporting explanation.

*Please select only one item*

- Strongly agree    Agree    Neither agree nor disagree    Disagree  
 Strongly disagree

**15** Are there additional safeguards or good practice which should be included in the guidance relating to relationship management

*Please select only one item*

- Yes    No

If answered yes, please use this space for further comments

**16** Do you agree with the proposed guidance on the use of incentives within HVC schemes?



## Use of incentives

Extract from our proposed guidance:

### Use of incentives

2.26 HVC incentives should not be used to exploit vulnerable customers or to encourage problematic behaviour. Licensees must be able to evidence how their rewards and bonuses are compliant with the provisions in section 5.1 of the codes of practice.

2.27 We expect the accountable executive or equivalent to be able to demonstrate how they have assured themselves that:

- i. Incentivisation methods do not encourage risk behaviours such as chasing losses, excessive time or money spent gambling, or accelerating frequency of gambling. The timing of incentives is not linked to periods of excessive play or significant losses.
- ii. Information held on individual HVC's habits and preferences is being used to inform responsible incentivisation which is only conducted alongside appropriate consumer protections.
- iii. Incentives are proportionate to a customer's spending pattern and consistent with the licensee's affordability and vulnerability assessment.
- iv. Tiered or structured incentive schemes are not promoted to HVCs in a manner which results in individuals gambling excessively to obtain (or retain) a grade or status of HVC which is unsustainable.

2.28 Life events or changes to an individual customer's circumstances may mean that a person becomes more vulnerable to experiencing gambling harms. These changes may include bereavement, loss of income or financial windfall, or a breakdown of personal relationships. Further guidance on the factors that operators should consider are included in our customer interaction guidance.

2.29 Given the personal service extended to HVCs, staff may become aware of risks associated with temporary or longstanding vulnerability. Licensees must ensure the actions and behaviour of staff does not exploit such vulnerabilities - either through the provision or characterisation of incentives, or by engaging in contact which goes beyond a professional level to become one of friend or confidant. In addition, the

licensee should have processes in place outlining what action should be taken upon identifying specific vulnerabilities.

2.30 Licensees are responsible for the actions of affiliates with whom they contract for any provision of their HVC acquisition or management. They must ensure contractual provisions are in place to terminate agreements where appropriate.

*Please select only one item*

- Strongly agree    Agree    Neither agree nor disagree    Disagree  
 Strongly disagree

**17** Are there any additional safeguards or good practice which should be included in the guidance relating to the use of incentives?

*Please select only one item*

- Yes    No

If answered yes, please use this space for further comments

## Further consultation questions

*The following questions are aimed primarily at licensees but may be answered by third parties who provide services to licensees.*

**18** Are there any aspects of the LCCP requirement and associated guidance which would require an implementation period longer than four weeks (for example, should your current approach to HVCs not meet the minimum proposed standards)?

*Please select only one item*

Yes  No

*Please provide details of your proposed time frame and justification in the open comments box.*

Comments

**19** Are you able to provide an estimate of the costs that might be incurred by your business in implementing the proposed requirements?

*Please select only one item*

Yes  No

*Please provide details of one-off, annual or ongoing costs that may arise from the proposals.*

Comments

## Before you submit your response

### 20 How did you hear about this consultation?

*Please select all that apply*

- Social media    Word of mouth    Gambling Commission website  
 Broadcast (news, TV or radio)    Newspaper (print or online)    Other

### 21 Overall, how satisfied were you with our online consultation tool?

*Please select only one item*

- Very satisfied    Satisfied    Somewhat satisfied    Disappointed

How could we improve this service?