

DCMS Review of Gaming Machines and Social Responsibility Measures

Prepared by the
Campaign for Fairer Gambling and Stop the FOBTs
collectively known as “The Campaign”

**Includes and incorporates submission of evidence
to the
All Party Parliamentary Group
on
Fixed Odds Betting Terminals**

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Q1. What, if any, changes in maximum stakes and/or prizes across the different categories of gaming machines support the Government's objective set out in this document?

- 1.1 This submission is supported and accompanied by the Campaign for Fairer Gambling (The Campaign) evidence submission to the All Party Parliamentary Group on Fixed Odds Betting Terminals (the APPG Submission).
- 1.2 The [Campaign for Fairer Gambling](#) and [Stop the FOBTs](#) campaigns are focused on the issue of FOBTs in Licensed Betting Offices (LBOs). They are the highest stake and prize gaming machines available in the UK with 34,684 operating in LBOs and just 200 in casinos as of March 2016. They operate at £100 per 20 second spin compared to an equivalent maximum stake in 20 seconds on B3 machines in Adult Gaming Centres (AGCs) and Bingo Halls of £16 and B1 machines in Casinos of £40.
- 1.3 Not only do they dwarf all other UK gaming machines with their staking capacity, they also dominate in numbers. Bingo and AGCs, according to [Gambling Commission statistics](#)¹ to September 2015 combined, operate 20,046 B3 machines whilst Casinos provide 2,832 B1 & 2 machines. That is a ratio of over 1.5 FOBTs to all other Category B (high prize, high stake) machines.
- 1.4 The stake size and quantity of FOBTs available and in the easiest access gambling premises of LBOs represents a complete failure of the 2005 Gambling Act and is contrary to the foundations laid in advance of the Act by the Report for the Gaming Board of Great Britain (2001). Attached is a Campaign summary of that report – more commonly known as the Budd Report.^{2(attached)}
- 1.5 The Budd Report was expressly clear as to the type of gaming machine and how hard the level of gambling should be in specific licensed gambling premises. LBOs were at that time considered handicapped and restricted in their machine offering and Budd recommended a higher machine allowance with comparable stakes to those of Bingo and AGCs with unlimited/high stake machines reserved to Casinos.
- 1.6 For LBOs, the recommendation was an increased machine allowance from two to four and comparable machines to AGCs and Bingo under what would become category B3 gaming machines at £1 per 2.5-second spin (£2 since 2011) for a £500 maximum prize. Uniformity across Bingo, AGCs and LBOs was the crux of Budd's recommendation, but not on numbers of machines. The report stated "*we are reluctant to see possibly large numbers of machines introduced into betting shops*". Post the 2005 Gambling Act, LBOs offer stakes at 50 times above that of AGCs and Bingo and as noted in 1.5 above, offer more high prize, high stake machines than all other licensed gambling premises.
- 1.7 It can be argued that the machine number disparity is exacerbated further by FOBTs being allowed to offer multiple category B game content (B2 and B3) on the same terminal, effectively doubling the availability of high prize, high stake machines in LBOs to 69,408 making the ratio to other premises above three times. Clearly not what was intended.
- 1.8 Evidence available to DCMS from the Responsible Gambling Trust (RGT) shows that losses incurred by players of both B2 and B3 game content in the same session of play are far greater than those of solus game play.
- 1.9 The Campaign, dependent on action taken regarding stake reduction, urges DCMS to consider imposing an industry standard of single category B game content per terminal and draws attention

to the increasing concern regarding the [hybrid B3 games recently introduced onto FOBTs](#)³ (see APPG Submission 6.5 (Misleading Statements on B3 games and FOBT Hybrid Games)).

- 1.10 The Gambling Commission represented by Sarah Harrison, Brad Enright and Paul Hope in a meeting with The Campaign stated that these games are “B2 slots” and did not recognise the description “B3 hybrid slots”/” hybrid slots”. Yet these games are accredited on FOBTs as being “B3 slot games” – see top right corner of game screen below:



- 1.11 If, as the bookmakers are implying on game descriptions, these games are B3 with “hybrid” bet capabilities that switch players from B3 to B2 (low stake to high stake) then effectively, this is a new category of game content and one that has not been sanctioned by the Gambling Commission.
- 1.12 The Commission does not have proper oversight of these games and despite being questioned by The Campaign, has failed to answer where bookmakers are recording Gross Gambling Yield from these games - whether under B2 or B3. The Campaign believes bookmakers are recording all yield from these games under category B3 and wrongly claiming that their customers are now “playing low stake games”.
- 1.13 Enabling socially responsible growth was a key tenet of the Budd Report as it is of this DCMS review. However, socially responsible growth cannot be defined as the dominance of a single gaming machine within the UK gambling landscape that has now become the attention and focus of concern relating to the causation of harm on individuals and communities. DCMS must consider the history of FOBTs as part of this review and the recommendations of the Budd Report which were intended to form the basis of UK gambling for the coming decades.
- 1.14 There was a dearth of information and knowledge regarding FOBTs for the period of 1999 to 2005 (the run up to legislation enacting the Gambling Act) and [misconceptions presented by bookmakers](#)⁴ to politicians about what the machines were, which led to the ill-informed legitimization of them by the Blair Government as category B2 gaming machines. Ministers

involved and more, including [Tessa Jowell](#)⁵, [Harriet Harman](#)⁶ and [David Blunkett](#)⁷, have now concluded that that was the wrong decision.

- 1.15 There are also questions over the extent of lobbying and influence exerted by the bookmakers during this period. [Philip Wilson MP was a close constituency associate of Tony Blair](#)⁸ and between 2004 to 2007 he was a [retained consultant to Gala Coral](#)⁹. He is described as advising “[Gala Coral on its social responsibility programs and the need of setting up the Responsibility in Gambling Trust charity](#)”¹⁰.
- 1.16 It was during this period that FOBTs were legitimized and super casinos recommended – both areas of significant commercial benefit to Gala Coral which operated betting shops with FOBTs and casinos. The Chief Executive at Gala Coral during this time and effectively Phil Wilson’s boss, was Neil Goulden who went on to hold the positions of Chairman of the Association of British Bookmakers (ABB) and the RGT.
- 1.17 In December 2015, it was revealed in leaked documents that Goulden had been [lobbying to protect FOBTs](#)¹¹ from a possible Government clamp down and in January 2016 he [stepped down from his position as RGT Chair](#)¹². Goulden has also donated money to individual Labour MPs with £2,600 to Ed Balls, [£20,000 to Chukka Umuna](#)¹³ and £42,000 to the central Labour Party. [Goulden also claimed to be a “business advisor” to Ed Balls](#)¹⁴ and Phil Wilson went on to replace Tony Blair as the MP for Sedgefield.
- 1.18 A further anomaly that has allowed the proliferation of LBOs and thus FOBTs in communities and locations targeted by bookmakers is outlined in the **APPG Submission - 1.5 (Aim to Permit) and 2.2 (Clustering)**. Licensing Authorities tied by an “aim to permit” legislative umbrella and relaxed planning laws post the 2005 Gambling Act have been completely hamstrung in dealing with the proliferation of LBOs and thus FOBTs. Though the Government has restored the requirement for planning consent on new LBOs, failure to address the “aim to permit” requirement has opened another anomaly between licensing and planning decisions. This anomaly should be redressed as part of this review.
- 1.19 Regulatory lenience toward LBOs under the Gambling Act was not extended to other gambling premises. AGCs which are present in similar locations to those of LBOs, did not have planning requirements relaxed and unlike LBOs have a stricter staffing requirement of a minimum of two persons. As the Campaign outlines in **the APPG Submission, 3.3 (Test Purchasing) and 3.4 (Betting Shop operations)**, lone staffing of betting shops has accompanied the proliferation of FOBTs. This has resulted in AGCs operating at £2 maximum stakes in a pure machine gambling environment and having usually a minimum of two staff present, whilst LBOs operate £100 maximum stakes on machines ancillary to their core licensed product of betting, with often only one staff present. Evidence of the consequences of this is detailed in **the APPG Submission** and more information and evidence of harm to staff will be made public by The Campaign in the coming months.
- 1.20 The impact on communities and problem gamblers is outlined throughout **the APPG Submission** and specifically relates to the following pieces of evidence:
 - a) An evaluation and report on the “[Economic impact of Fixed Odds Betting Terminals 2013](#)”^{15(attached)} by Landman Economics.

- b) Update on the “[Economic impact of Fixed Odds Betting Terminals 2015](#)”^{16(attached)} by Landman Economics. This revised and updated evaluation of the impact of FOBT losses has shown a worsening trend which we highlight below and is outlined further in our **APPG Submission section 4.3**:

Economic Impact of B2 spend 2013	Economic Impact of B2 spend 2015
£1 billion of average consumer spend supports 20,000 jobs	£1 billion of average consumer spend supports 21,000 jobs
£1 billion of consumer spend on FOBTs supports 7,000 jobs	£1 billion of consumer spend on FOBTs supports 4,500 jobs
An increase of £1 billion in consumer spending on FOBTs destroys just over 13,000 jobs in the UK	An increase of £1 billion in consumer spending on FOBTs destroys just over 16,000 jobs in the UK
By 2023 the total annual wage bill in areas where FOBTs are established will be around £650 million lower than if FOBT use remained at its 2013 level.	By 2025 the total annual wage bill in areas where FOBTs are established will be around £700 million lower than if FOBT use remained at its 2015 level
By 2023 net tax receipts will be around £50 million per year less due to the expansion of FOBTs	By 2025 net tax receipts will be around £120 million per year less due to the expansion of FOBTs
Share of wages in Gross Value Added for FOBTs compared with average across UK private sector industries	Share of wages in Gross Value Added for FOBTs compared with average across UK private sector industries
Betting Shops 10.3%	Betting Shops 7.8%
UK Private Sector 48.9%	UK Private Sector 52.6%
FOBT Yield share 51%	FOBT Yield share 54%
FOBT Yield growth to 2023/24 £3.4 billion based on historical growth rates of c10%	FOBT Yield growth to 2025/26 £2.8 billion revised down as growth has slowed to c6%

- c) 2014 “[The Stake of the Nation – balancing the bookies](#)” by Nera Economic Consulting^{17(attached)}. This evaluation of the impact of a stake cut to £2 per spin and further analysis of ABB claims around the economic impact of such a cut on betting shops is summarized in our **APPG Submission section 4.3** and concludes that cutting the stakes to £2 could increase UK employment by between 1,200 to 2,400 jobs. A brief summary of the Nera conclusions is noted below:

- i No evidence is provided by the ABB for the very large reduction in FOBT gross yields they have claimed, and there are a number of reasons that suggest the impact in practice could be significantly lower
 - ii While there would be a reduction in FOBT yields, some of the money that players no longer spend on FOBTs is likely to be diverted to other LBO products, in particular Over The Counter (OTC) betting. This will further reduce the overall impact on LBOs of any reduction in maximum stakes
 - iii The mere identification of LBOs as being “at risk” does not mean as many shops as they think would be likely to close in practice. Almost a third of LBOs already fell into this category in 2011 and yet the industry continued to grow. And any reduction in the number of shops is likely to be self-limiting as customers will transfer at least some of their business to other LBOs and thus strengthen the position of those shops that remain (as well as lessening the impact on tax revenues)
 - iv The overall impact on employment and tax revenues will also depend on what customers do with any money that they no longer spend in LBOs. If spending is transferred to parts of the economy that are more employment intensive than the betting industry, then the overall impact on employment could well be a positive one. The overall change in tax revenues will depend on a number of separate offsetting effects, is likely to be small, and could also be positive
 - v Rather than the 7,900 shops that the ABB claims would be “at risk”, the Nera illustrative calculations suggest that a more realistic number of LBO closures might be between 700 and 1200
 - vi To the extent that some of the reduction in FOBT revenues as a result of stake reduction reflects lower spending by problem gamblers, and some LBOs that close are shops that were only established in order to increase the number of FOBTs, then there could be wider benefits to society as a result of these closures. Indeed, the potential wider benefits that might result from some shop closures are demonstrated by the number of local councils that have tried to block proposed new LBOs or take measures against FOBTs in their areas, and by the opposition to FOBTs set out in a number of councils’ responses to Government
- d) Campaign research on the [location of Paddy Power betting shops and correlation with high immigrant areas](#) 2016¹⁸(attached).
- e) Geofutures mapping and analysis by Landman Economics of the [correlation between betting shops and areas of high deprivation in Scotland](#)¹⁹(attached). The conclusions of this analysis are that the average Gross Gambling Yield (GGY) from betting shops per head of population in the most deprived quartile of Scottish local authorities was £67.30 – almost three times the GGY per head in the least deprived quartile (£23.25) and the density of betting shops in the most deprived quartile of local authorities is almost 3 times the density in the least deprived quartile of local authorities (2.8 times to be exact). This strongly suggests that bookmakers are selecting locations for betting shops amongst the most deprived sections of the Scottish population.
- f) In [November 2016, Panorama](#)²⁰ revisited FOBTs. A written contextualisation of the broadcast is [noted here from the Guardian](#)²¹. Panorama asked the question “Why are gambling machines so

addictive?” with the focus being FOBTs. Professor David Nut, who carried out evaluations of brain activity whilst a pathological gambler staked on a simulated version of FOBT roulette, made the following comments during the broadcast – *“No one is going to get addicted from placing a bet on the Grand National once a year but on these machines you can place 50 bets an hour. Gambling addiction has a biological basis. The brain has a chemical abnormality similar to those that have other addictions. Addicts have a brain defect because they are programmed not to function without their addiction. FOBTs are ‘powerful’ because they suck in the most vulnerable.”*

- g) [“FOBT use and problem gambling across the Liverpool City region”](#)^{22(attached)} – Liverpool Public Health Observatory 2014
- h) [2CV Polling and Survey of betting shop customers in Newham, Manchester, Medway and Liverpool – 2014](#)^{23(attached)}. This survey revealed that across these localities, 82% of LBO customers perceived FOBTs as addictive, with one in three players borrowing cash to sustain their activity on the machines.
- i) Glasgow City Council [Sounding Board on the Impact of Fixed Odds Betting Terminals](#) 2014^{24(attached)}.
- j) [“What proportion of gambling is problem gambling – Estimates from the 2010 British Gambling Prevalence Survey”](#)^{25(attached)} by Jim Orford, Heather Wardle & Mark Griffiths. A summary of this secondary research is noted below and [summarised here](#)²⁶:
 - 1. Problem gambling prevalence was highest among those who reported that they gambled on nine or more different activities on a regular basis (27.8%). However, the frequency and spend on different gambling products by problem gamblers is not determined by the BGPS.
 - 2. Professor Jim Orford, Heather Wardle and Professor Mark Griffiths (2013) sought to address this by estimating how many days play of each gambling activity was attributable to problem gamblers and how much problem gamblers spend on each gambling activity.
 - 3. The authors found only three gambling activities where the estimate of days play attributed to problem gamblers exceeded 20%: casino games (31%), FOBTs (26%) and dog races (22%). In other words, problem gamblers account for 26% of the total time spent on FOBTs by both problem and non-problem gamblers combined.
 - 4. Problem gamblers lost £297m on FOBTs, and £57m on dog racing. This compares to £76m on table games in casinos, £57m on horse racing, £47m on slot machines, £18m on football pools and £16m on bingo. Problem gambler losses on FOBTs are greater than several other leading gambling activities combined.
 - 5. The authors also estimated the days and spend attributable to problem and moderate risk gamblers combined and found that this varied from 5-6% for lotteries. It was as high as 40% for FOBTs and for dog racing.

However, it is important to note that problem gamblers lose nearly four times as much on FOBTs compared to dog racing, which indicates that FOBTs have the capacity to cause greater harm.

- k) [The WAGER, Vol. 15\(5\)](#)^{27(attached)} – The 2007 British Gambling Prevalence Survey: Considering Gambling Involvement. A summary of the conclusions of this secondary research are noted below and [summarised here](#)²⁸:
- Individuals who used FOBTs were associated with the highest mean number of problem gambling symptoms during the previous 12 months.
 - The top five prevalence rates of any problem gambling symptoms were for those that used FOBTs (26.9%), spread betting (26.3%), casino table games (17.1%), sports betting (16.8%) and betting on dogs (16.1%).
 - Using logistic regressions, the authors sought to illustrate how well each type of gambling contributes to the “prediction” of gambling problems.
 - The top five odds ratios were for FOBTs (24.01), spread betting (21.84), internet gambling (9.58), betting on dogs (9.39) and casino table games (8.15).
 - When “involvement” (i.e. the number of types of gambling used in the previous 12 months by individuals) was factored into the modelling, FOBTs were the only gambling type that maintained a significant positive relationship to disordered gambling.
 - FOBTs had the strongest association with gambling-related problems, but few people (2.6%) had used them in the previous 12 months, suggesting specific types of gambling represent increased risk.
- 1.21 The Campaign position is that there is sufficient evidence available to DCMS to justify a cut in maximum stakes on machines located in betting shops, restoring appropriate parity levels as per the Budd recommendations. LBOs should be allowed to operate a maximum of four category B3 gaming machines at £2 per 2.5 second spin.
- 1.22 At the launch of the recent Bacta commissioned research into FOBT stakes, Sir Alan Budd, principal author of the Budd Report, attended. His comments in respect of FOBTs should be noted by Ministers. He said, “*FOBTs are not in the spirit of our report. We did not anticipate or support the introduction of these machines into betting shops*”. He went on to say that gambling of the kind found on FOBTs is not appropriate in bookmakers and that this kind of gambling should be reserved for specific, highly regulated, large premises.
- 1.23 There is no evidence available today to support any increase in machine stakes or prizes in any category. A reduction in stakes on FOBTs to any amount other than £2 will set a precedent for regulatory creep. For example, if a £5 maximum is set, then AGCs and Bingo will also see that as a target to increase stakes to. Failure to reduce FOBT stakes adequately and so allow for increased stake demands for other venues will not achieve an adequate degree of harm reduction.
- 1.24 The concept of the Triennial Review was generally to consider changes related to inflation and possible technological changes. As there has not been any real inflation since 2013, there is no

reason to allow inflation related changes. Similarly, there is no technological change which could justify changes in stakes and prizes.

- 1.25 [Recent research](#)²⁹ by Professor Peter Collins commissioned and published by [BACTA](#) (representing machine suppliers and operators) examining FOBT stakes shows remarkable duplicity when stating that “*We are confident from the way our participants actually played that a £2 maximum would be too low*”. A £2 maximum stake on any version of roulette would inhibit player behaviour so much as to make the game unplayable. Bacta members have already tried this and found that to be the case. Part of this debate centers around whether we actually want easy access to high stake casino gaming on high streets and in particular when that is offered at any stakes above £2.
- 1.26 The purpose of Government retaining control over staking levels and appropriate locations for such, is to influence player behaviour, control the type of content available - balanced with the growth and development of the machine industry.
- 1.27 The Collins Report leans toward a staking level of £10, but ignores the dangers of hybrid slot games – **see APPG Submission section 6.5**. Whilst roulette has historically been the main revenue generator, there is strong growth in these new, non-regulated games, which may be just as dangerous as roulette.
- 1.28 There is a real danger that BACTA are motivated to ask for increased stakes, maybe to as high as £10, in a bid to roll out a workable version of roulette to their AGC premises. However, the Collins report was clearly not commissioned to look at varying stake levels, so any suggestions on a recommended stake made by the authors of this report must not be considered by DCMS.
- 1.29 The Collins Report references [Gamcare statistics \(2015/16\)](#)³⁰ which show that there is a similarity in the reporting of betting online at 16% and betting offline at 15%. However, comparing slots online at 11% with LBO FOBTs at 20% is a marked divergence, only explainable through the LBO demographic being more vulnerable, FOBTs being more addictive, or both.
- 1.30 Looking at offline only, machines were reported at 3% for AGCs, 1% for Bingo and 2% for Casino compared to LBOs at 20%. Again, a startling contrast, explicable by one or both of, the LBO demographic and the addictive nature of FOBTs. Looking at LBOs’ total of 38% compared to AGCs at 3%, Bingo at 2% and Casinos at 7%, it is a strong indicator that there is an LBO demographic that is far more vulnerable than the demographic of other gambling premises.
- 1.31 Overall, much of the cumulative evidence in Collins was already known to The Campaign and those who have studied the FOBT issues. The new definition and calculation of VLL is interesting, but the concept is not new to persons skilled in understanding gambling.
- 1.32 It does not take any understanding of gambling to know that faster game speed is more dangerous and, combined with higher stakes and type of content, even more dangerous. A conclusion that reducing stakes will reduce harm, or that increasing stakes will increase harm, should be self-evident.
- 1.33 The new Chief Executive of the rebranded RGT, now Gamble Aware, made some very telling comments regarding FOBTs and their high staking capacity in a newspaper interview stating: [“There is a sector of society which gets addicted to gambling, and it has a knock-on effect on many](#)

others, their families, friends, businesses... We know that those machines have a peculiar risk of creating those particular problems... I demonstrated two markers of harm in the space of about 10 minutes; erratic behaviour and erratic play. I got cross and started spreading money all over the roulette table, and then I thumped the button. I can't help feeling there is an inherent risk when someone as measured as me starts thumping a FOBT³¹

- 1.34 Research by [Nat Cen](#)³², which was made public in December 2013, is the closest to empirical evidence on staking behaviour. It showed that even at stakes below £2, the amount staked related to behaviour. This was conducted on real-time gamblers, in-situ, on bingo hall and adult gaming centre machines. Bookmakers refused to allow Nat Cen permission to conduct this research in betting shops.
- 1.35 Loyalty card holders are more engaged than casual and infrequent gamblers, but they are less engaged than regular anonymous gamblers. The loss of £1.7 billion per year by around two million FOBT gamblers gives an annual average of over £850 per gambler, yet the loss of loyalty card holders over a ten month period in a [study by NatCen](#) was below £500. Estimates based on loyalty card holders are likely to be under-estimations rather than over-estimations of FOBT problematic gambling.
- 1.36 From 2012 to 2013, Ladbrokes began to analyse loyalty card player data from FOBTs over a number of months. During the analysis they ran intense marketing activity aimed at card holders with the objective of stimulating "customer stake or play frequency". The detail of these offers, how they were implemented and their impact on player behaviour and patterns of play are contained in a confidential document which was compiled for Ladbrokes.

Q2. To what extent have industry measures on gaming machines mitigated harm or improved player protections and mitigated harm to consumers and communities? Please provide evidence to support this position.

2.1 An evaluation carried out by [NatCen](#)³³ on each of the four measures that the ABB's Code of Conduct was designed to address, for which the bookmakers "*anticipated that the code would result in players gambling in a more controlled way*", showed that there was no evidence of any impact on:

- i Length of time spent gambling
- ii The amount of money gambled and lost
- iii Those players gambling for sessions over 30 minutes
- iv The proportion of sessions of over £250 in cash for play

NatCen "*did not find any statistical evidence that the Code had an impact on the four outcomes*".

2.2 The ABB attempted to mask the true data regarding their measures by proclaiming that "*85% of players who set a limit stuck to it*". What they did not say is that only 0.004% of sessions registered the setting of a limit (1,400 out of 3,900,000 player sessions when tested). [Similar voluntary measures were tried and abandoned in Nova Scotia](#)³⁴ as the evidence showed it did not work.

2.3 **Section 4.5 of the APPG submission** outlines an evaluation carried out by Dr Charles Livingstone, a senior lecturer at the School of Public Health and Preventative Medicine at Monash University, of the ABB Code of Conduct measures and recent evaluations of it, published by academics seconded by the bookmakers.

2.4 Dr Livingstone describes the literature review as providing "*a post hoc justification for the measures adopted in the ABB Code*" and described the Code of Conduct as being of "*low to very low potential efficacy*". The ABB's voluntary form of pre-commitment allows customers to set time and spend limits. However, Dr Livingstone said that to be effective in limiting expenditure it would require "*significant modification*".

2.5 Dr Livingstone argued that the harm minimisation effects of the ABB Code of Conduct are likely to be "*at best very modest*". Collectively, modest measures can reduce harm and gambling expenditure but, Dr Livingstone states, the most effective measures in achieving this are implemented broadly and outside the control of individual operators. These measures include:

- 1. *Capping machine density*
- 2. *Reducing the maximum bet*
- 3. *Restricting cash insertions*
- 4. *Modifying machine characteristics*
- 5. *Removing ATMs*

2.6 None of these measures, bar the removal of ATMs, have been adopted by the ABB Code. But Dr Livingstone argues that this policy is "*undermined by the availability of cash or credit from other sources*" as bookmakers are located on the high street, so ATMs are often in their vicinity. Cash back is also available via over the counter debit card transactions in betting shops.

- 2.7 A board briefing for the Gambling Commission presented in March 2014 described the Code of Conduct as providing “*insufficient assurance that they were taking social responsibility, particularly in relation to FOBTs, seriously*”³⁵. It contradicted claims from Professor Mark Griffiths and the ABB that the Code of Conduct was “*world leading*”, describing it as “*composed largely of measures that the industry ought to have been delivering already or which they had already been doing for other reasons*”.
- 2.8 The Gambling Commission noted that at the time the Code of Conduct was introduced, indicators of harm for which staff were to be trained to be alert for, the ABB had “*not yet provided a list of what such indicators might be*”. The new minimum standard for staff training contained in the Code of Conduct was described in the Gambling Commission’s briefing as not “*going beyond existing principles*”. The ABB’s Code of Conduct had done no more than what was already required under existing licensing conditions.
- 2.9 The Code of Conduct also contained a commitment for the ABB to maintain a central self-exclusion register. However, the Gambling Commission described the bookmakers’ progress on this as “*very limited*”. In a Gambling Commission consultation on “[Controlling where gaming machines may be played](#)”³⁶, the Campaign proposed the introduction of a remote counter facility to prevent FOBT play before age verification has taken place. But, the Gambling Commission described progress on this as being “*limited*”. Bookmakers are clearly doing everything in their power to avoid disruption to current player behaviour.
- 2.10 The Gambling Commission noted that the cessation of FOBT or B3 slots advertising in shop windows may only be temporary and noted that with the introduction of hybrid games where “*players can move from B3 to B2 slot play through just one press within the B3 game*” posed a real cause for concern as to how long the moratorium on advertising in shop windows will last. This means a player engaged in B3 slot play is encouraged to stake above £2 a spin, as the game offers the player the opportunity to bet £20, £30 and £40 on “super spins”
- 2.11 Whilst the bookmakers have stopped advertising the £100 a spin B2 content in their shop windows, they have not stopped aggressive in-shop marketing of FOBTs through regular tournaments and free play offers.
- 2.12 The ABB had previously stipulated that demonstration games, tournaments and other free plays would be guaranteed to operate at the same statistical “return to player” (RTP) percentage as the real money variant. Enticing players to try game content that does not function at the same pay-out ratio as paid for games is deceitful. Yet the Gambling Commission’s brief notes that this measure has been “omitted from the final version of the ABB Code”.
- 2.13 The Code of Conduct also stipulated that if a customer is using their bank card to load money onto machines from behind the counter and that it is “*outside the normal parameters for that customer*”, then shop staff would be trained to recognise and interact. However, the Gambling Commission found that this had been “*diluted for the final version*” of the Code of Conduct, and no reference was made to how customers’ “*normal parameters*” would be identified.
- 2.14 The ABB also made a commitment to maintain a central self-exclusion register. However, the Gambling Commission described progress on this as “*very limited*”.

- 2.15 **Section 4.6 of the APPG submission** outlines the issues with self-exclusion.
- 2.16 Self-exclusions are unique contact opportunities between operators and gamblers. The gamblers have already experienced harm to such a degree that they have been able to admit it to themselves and admit it to others. Provision of treatment at this point is the most valuable outcome. See [this interview by Campaign Founder Derek Webb with Gambling Insider](#)³⁷ on the issue of self-exclusion.
- 2.17 It is the reliance of those authoring the new industry Code of Conduct on staff awareness, intervention and interaction that is placing an unbearable weight of expectation on betting shop workers, when lone staffing. Those senior executives and academics involved in the measures behind the Code fail to recognise the operational weakness and risk that a lone member of staff (often young and inexperienced) represents not just to the business, but to customers and especially the most vulnerable. **See APPG Submission 3.4 (Betting Shop operations and lone staffing).**
- 2.18 There is no historical evidence that messages, time-outs and limit settings used on gaming machines have had any positive impact on player behaviour. Two members of the independent research oversight panel of the RGT are authors of a paper "[Pre-commitment in Gambling – a review of the empirical evidence](#)"^{38(attached)} which confirms this. A summary of the report's conclusions are noted below:
- i Very limited literature containing non-peer reviewed government funded reports relating to pre-commitment on Electronic Gaming Machines (EGMs) was found
 - ii Methodological limitations were noted against historical research
 - iii Frequent card swapping was noted with compromised data integrity associated with the failure to control for concurrent gambling expenditure outside the boundaries of trials
 - iv One serious limitation noted of the voluntary card use was that of card holders continuing to gamble at the same venues, but not using their cards – exactly the situation we see in LBOs today under the Government's measures
 - v Card based data may significantly under-represent actual gambler spending
 - vi Despite inducements, poor retention rates for voluntary card use raises questions about the effectiveness of a voluntary pre-commitment system
 - vii Card data used in historical research showed that whilst 50% spent less whilst using voluntary pre-commitment, 40% actually spent more and the authors of this report note that: ***"given that these systems are designed to help gamblers control spending and avoid gambling related harm, the possibility that the use of pre-commitment options may lead to increased spending signals the possible presence of unintended effects"***
- 2.19 There is also unpublished research from 2014, by the same two authors as in 2.18 again titled "Pre-commitment in gambling: A review of the empirical evidence"^{39(attached)}. The conclusion shows how misguided it is to use a methodology that may do more harm than good. Yet the authors are part of the RGT Independent Research Oversight Panel and the RGT has never flagged this kind

of danger of "responsible" gambling measures, nor their research. A summary of their conclusions is noted below:

Key points noted in this accumulation and evaluation of international research are:

- i Self-report data indicates that pathological compared to recreational gamblers set higher limits and breach them more often.
- ii Although results suggest that those who did make use of the pre-commitment feature both reported and showed a decrease in spending following card use, many studies also showed an increase of spending following card use. These unintended or iatrogenic effects of pre-commitment features must not be taken lightly. Given that these systems are designed to help gamblers control their spending and avoid gambling-related harm, the possibility that use of such systems leads to more spending is both counter-intuitive and counter-productive.
- iii In conclusion, while some important information regarding the impact of pre-commitment schemes on gamblers' behaviour has been found, the importance of the methodological limitations of the studies carried out up to now leads us to believe we have yet to truly know whether pre-commitment is a reliable and beneficial preventive measure for VLT [Video Lottery Terminal] gamblers. In this light, further research with more rigorous methodologies is needed before concluding on the usefulness of pre-commitment. Until then, the authors remain wary and cautious of premature claims and implementation of these schemes that may in fact do more harm than good to those we ultimately seek to protect. The conclusions of this report mirror early DCMS analysis of the bookmakers' measures

2.20 Also **relevant** is the [Landman critique](#)⁴⁰ of the Evaluation of Gaming Machine (Circumstances of use) (Amendment) Regulations 2015. The summary of this evaluation noted:

- i The DCMS evaluation suffers from several problems with quality and availability of data. In particular:
 - a) The range of data sources used in the evaluation was limited; DCMS was unable to measure changes in amount staked per player over any particular period (rather than per machine, or per session) – which is the most important piece of data in terms of identifying the impact of the regulations on the extent of problem gambling
 - b) The data on total amount staked was not used particularly effectively in the evaluation
 - c) The data on implementation costs provided by operators lacked detail and there were substantial differences between reported costs from different operators, which look implausible
- ii In the absence of a pilot programme to test the impact of the £50 regulations under more rigorous conditions, the evaluation suffers from simultaneity problems – it is difficult to separate the impact of the £50 regulations from the impact of other policies on responsible gambling introduced at or around the same time

- iii DCMS' interpretation of the statistics derived from the data submitted by machine operators – e.g. the trends in the number of registered accounts and the average length of playing sessions, is often contentious.
 - iv The evaluation omits some key questions which are important to consider when looking at the success or failure of the £50 regulations. For example, the question why B2 machine players might wish to remain anonymous (e.g. because of the potential for money laundering) is not discussed
 - v There is the potential for account-based play to lead to players being targeted by more specific direct marketing initiatives than when play is cash-based
 - vi It is not clear that increased staff interaction will necessarily reduce problem gambling – in the worst case scenario, it could actually do the opposite
 - vii Overall, the evidence that the £50 regulations have worked as intended is very weak at best
- 2.21 A former chief economist and head of research at DCMS, Dr Stephen Creigh-Tyte, argued in a research paper titled, “Some Results on the Efficacy of Methods of Regulating Machine Gambling”^{41(attached)} that: “...*binding limitations on wagers can limit the maximum session losses suffered by punters. The effect tends to be greater the higher the prize and the larger the probability of winning and the lower the time taken by each game.*” Dr Creigh-Tyte goes on to state that: “*This finding is in line with Blazczynski et al. which found that there was a large reduction on time played, number of bets, money lost and consumption of alcohol and tobacco among players of machines the stake of \$1 compared with those who played machines with maximum stakes of \$10.*”
- 2.22 We refer DCMS to **The APPG Submission section 4.15** relating to Featurespace and the development of algorithms in detecting problematic gambling.
- 2.23 We also refer DCMS to research carried out by Professor Linda Hancock and Shannon Hanrahan of the Outcomes Group titled, the “Evaluation of the Secondary Analysis of RGT Machines Research Programme Data”^{42(attached)}.
- 2.24 The Campaign has expressed serious concerns about the involvement of Featurespace as part of the RGT research and ongoing work with corporate bookmakers. Attached is a letter to David Excell (Chief Executive) of Featurespace (August 2015)^{43(attached)} which outlines these concerns and questions misleading statements made by his organization.
- 2.25 The use of technology to detect problem gambling and alert operators to possibly harmful patterns of play thus requiring intervention, is increasingly being touted as a more effective long term solution to the gambling wide issue of harmful activity. Bookmakers in the UK use similar technology to detect and restrict gamblers who show more skill and therefore are less profitable for the operators. They also, like many retailers, use algorithms to drive reward and bonus enticements to gamblers.

However, in the field of detecting and preventing problematic gambling, research indicates their effectiveness may be very limited. The DSM-IV measure for problem or pathological gambling lists ten diagnostic criteria which are:

1. *Preoccupation (excessive thinking about gambling or getting money to gamble)*
 2. *Tolerance (feeling a need to gamble increasingly to achieve a desired state)*
 3. *Loss of control (an inability to quit gambling despite repeated attempts)*
 4. *Irritability/restlessness (when attempting to stop gambling, growing restless/irritable)*
 5. *Escape (gambling to escape from problems)*
 6. *Chasing losses (after losing, “chasing” those losses by attempting to “win back” those losses with further gambling)*
 7. *Lying (to cover up gambling activity)*
 8. *Criminal acts (to support gambling activity)*
 9. *Family/work problems (due to gambling activity)*
 10. *Financial bailouts from others (to alleviate financial pressures due to gambling activity)*
- 2.26 A report by the [International Gaming Institute in 2011](#)⁴⁴ concluded that there was a lack of evidence to support any effectiveness of the use of algorithms to detect problem gambling and went on to say of the DSM-IV criteria: *“it is notable that virtually none of these criteria (in fact, we will argue that not a single one of these) are currently identifiable based upon some calculation made at the machine. In fact, it would seem that virtually all of these would be “invisible” to the gaming machine (indeed, many of these can be challenging to identify even for trained mental health professionals).”*
- 2.27 There is no evidence that remote operators have applied any of this type of technology to have any meaningful impact on problem gambling detection. Remote operator failings in this respect have been identified by the Gambling Commission.
- 2.28 We attach as evidence, a submission to the APPG on FOBTs by Professor Linda Hancock – “Breaking out of the Reno Responsible Gambling Model in Britain”^{45(attached)}. The Reno model has dominated international regulation and governance of gambling over the past decade. Its central organising claims are that the decision to gamble resides with individuals who make an informed choice to gamble and that for those who may experience problems, there needs to be treatment available for problem gamblers, who are defined as quite small in number compared to a perceived majority defined as “recreational” and supposedly unharmed gamblers.
- 2.29 The Reno model makes it easy for governments and regulators in that it is nonthreatening to the gambling industry because it enables “business as usual”. “Reno RG” is narrowly framed and focuses on the informed player, who then bears the impact of any subsequent harms. Reno proponents emphasise gambling is an individual choice, operators need to give players information on which to base their choices, and while gambling is promoted as an enjoyable recreational pursuit for most people, they argue only a small number are problem gamblers. This excuses operators from host responsibility to prevent harms, diverts attention from harmful continuous platform machine formats and delimits problem gambling to the severely harmed whilst skirting over those lower on the continuum of harm.
- 2.30 The existence of FOBTs and the associated dangers have led to a perception that there needs to be dedicated harm mitigation measures. There is no evidence that there has been any reduction in the totality of FOBT harm based on any of the measures that have been introduced.
- 2.31 When considering the mitigation of harm, DCMS should note research carried out by Williams, Rehm and Stevens in 2011. It found that [“in Western countries, more gamblers report problems](#)

[with EGMs than any other form of gambling](#)⁴⁶ and notes also that: “EGMs are the least labour intensive form of gambling... thus when revenue is diverted to EGMs from other businesses it is negatively impacting business sectors that employ more people and thereby creating a net decrease in overall employment”. Of the impact on impoverished communities the report notes the “negative subjective wellbeing... [is] reliably associated with the minority of people who have high amounts of expenditure or time on EGMs. The poorer mental health of these individuals also has a negative impact on their families.”

- 2.32 UK-based [research published in March 2013 by NatCen](#)⁴⁷ used the two most recent British Gambling Prevalence Surveys from 2007 and 2010 to examine the characteristics of FOBT users compared with other gamblers and the general population. Trends that were identified were that:
- i There was an increase in the prevalence of FOBT use between 2007 and 2010, with male FOBT use increasing from 4% of past year gamblers in [Page 19/2.1] to 6% in 2010 [Page 21/2.1]
 - ii The increased FOBT use between 2007 and 2010 was primarily driven by young men aged between 16 and 34, where use went from 9% in 2007 to 14% in 2010
 - iii There was an increase between 2007 and 2010 in the proportion of FOBT users from low income households and an increase in players from households where the survey respondent was unemployed or in full-time education
 - iv In both years, a high proportion of FOBT users were very regular gamblers defined as those who gambled on their most frequent activity at least once a week. This proportion increased from 68% in 2007 to 73% in 2010
- 2.30 There is one aspect of gambling harm that is under the radar and virtually never considered by policy-makers. This is the one-off, but often cited, instance of a gambler with a monthly salary paid into the bank, or as cash in hand and then gambling out of all proportion to previous experiences. With more LBOs in city and town centres open longer hours in the evening and with the allowance of debit card funds being loaded onto FOBTs, this aspect is becoming more prevalent and like alcohol, The Campaign has termed this “binge gambling” and it can be just as harmful as problem gambling.
- 2.31 This is particularly so in immigrant or migrant communities with a male-dominant culture and often with wives and/or families still in their countries of origin. These results have a devastating and debilitating impact on individuals who are in Britain to work and save to bring families here, or to send money home to families. As a result this has an impact on integration and promotes alienation.
- 2.32 The notion of “responsible gambling” implies that “problem gamblers” are simply irresponsible, or faulty, individuals. However, the DSM-V criteria recently re-categorised “problem gambling” as an addiction, on par with drugs and alcohol, whereas before it had been classed as an impulse control disorder.
- 2.33 The basis for this reclassification was research conducted by Marc Potenza, who identified that [pathological gambling was more similar to cocaine addiction than to obsessive compulsive disorder](#)⁴⁸. As a society, we have moved away from the idea that drug addiction and alcoholism can

be explained through the prism of irresponsibility, so our approach to gambling addiction should also reflect this reality. However, at present we spend £1,200 per drug misuser, £200 per alcoholic but just £9.37 per problem gambler. This compares poorly within an international context. USA, Canada and Australia spend between £35 and £150 on treatment per problem gambler.

Q3. What other factors should Government be considering to ensure the correct balance in gaming machine regulation? Please provide evidence to support this position.

- 3.1 Given the context of the location of FOBTs, the nature and hardness of machine gambling that they offer, set against a backdrop of the Budd recommendations, the Government must consider the link that has now developed between LBOs and crime. **See APPG Submission section 2.1.**
- 3.2 Additional evidence is the [Campaign consultation response to the Gambling Commission amendments to the LCCPs](#)⁴⁹, aimed at improving the prevention of crime being associated with gambling. We specifically draw the DCMS' attention to the following paragraphs contained in this submission:
- i "As was stated by Brad Enright in the Commission's meeting with the CFG on 24th November 2015, 0.4% of B2 machines suffer some form of damage or physical attack requiring repair each week. This will equate to circa 7,000 B2 machines per annum and is an extraordinarily high level that should raise questions not about "lower priority" incidents, but a gambling product that appears to be driving criminal behaviour in betting shops. The personalisation of machines leading to abuse of them is cited as a characteristic of problem gambling. Not only should the Commission want to understand what the link is between attacks on machines and the extremely high level of Police call outs to betting shops, it should also want to evaluate this type of behaviour toward machines by each of the relevant category levels, non-remote provider of them and how this compares to their operating location and in association with the regulatory pyramid."*
 - ii "Yet the Commission advises that "Licensees should report these incidents to the proper authorities, but are not required to report them to us, where they are not linked to the first licensing objective". The first licensing objective, as the Commission notes, states "to keep gambling free from crime (and from being associated with crime)". Whilst we agree that the details of each incident would not need reporting, the cumulative number of incidents on premises, specifically against machines, by each non remote operator providing at least category B, would provide a level of insight into consequential gambling led criminal behaviour."*
 - iii "This data, in line with the developing ethos as per the recent Responsible Gambling Strategy Board's (RGSB) consultation on its 3-year policy statement, would shed some light on the impact of the product in association with its consumer."*
- 3.3 Further evidence supporting the association of crime with betting shops and that of money laundering via FOBTs is the Gambling Commission's risk assessment of LBOs submitted to the Treasury as part of its considerations on the EU 4th Money Laundering Directive^{50(attached)}. This assessment ranks betting shops and FOBTs as high risk.
- 3.4 Multiple recorded incidents of money laundering in betting shops are detailed in **the APPG Submission**. The Gambling Commission should confirm the view expressed in their Treasury risk assessment, in this review to DCMS.

- 3.5 **The APPG Submission section 2.2** outlines factors concerning the clustering of LBOs. Multiple pieces of evidence show a national [increase of 43% in betting shops located in town centres](#)⁵¹ and more than [twice as many LBOs in areas of the greatest deprivation](#)⁵² compared to the least.
- 3.6 Linked with the Campaign analysis of Paddy Power shop locations, is the NatCen analysis which contextualized machine gambling characteristics by location noting that “[areas close to betting shops tend towards higher levels of crime events, and resident deprivation, unemployment, and ethnic diversity](#)”⁵³
- 3.7 [Further research by NatCen](#)⁵⁴ noted the following: “*Rates of placing a £100 bet on machines were higher among those from minority ethnic groups. Over 30% of people from non-white ethnic groups had placed a maximum stake bet. Those from minority ethnic groups were also more likely to place a £100 bet on machines more frequently. Those who were unemployed were more likely to place a maximum stake bet more often; one in twenty (5%) loyalty card holders who were unemployed had placed a £100 bet in 5% or more of their bets on B2 machines*”.
- 3.8 Focused analysis of loyalty card holders in betting shops by NatCen revealed [one third exhibited signs of problematic gambling on FOBTs](#).
- 3.9 Section 181 of the 2005 Gambling Act contains an express power for licensing authorities to restrict the number of “betting machines” and the nature and circumstances in which they are made available, by attaching a licence condition to a betting premises licence. This power is perceived **not** to pertain to FOBTs which are now defined under the Act as gaming machines.
- 3.10 There is, therefore, confusion as to what machine this power refers to. “[Self Service Betting Terminals](#)” (SSBTs) were not at the time the Act was drafted, available.
- SSBTs in LBOs currently offer cash wagering on events that are available on the remote sites of the operators. As such, it is essentially cash-based, non-account, remote gambling on sports and racing. However, SSBTs could easily be enabled to offer the casino game content that is also available on their remote sites.
- 3.11 There have not been any Gambling Commission controls applied to numbers or content on SSBTs. This issue should be urgently addressed. There is no purpose in applying any restrictions on FOBTs if bookmakers can offer casino game content on their SSBTs as an alternative. DCMS could find itself dealing with “betting machines” that offer unlimited stakes and prizes on our high streets.
- 3.12 The Campaign submission to the Treasury Consultation on the EU 4th Money Laundering Directive^{55(attached)} raises concerns about the potential use of SSBTs for money laundering.
- 3.13 Self-exclusion is a major issue in betting shops and one that has so far been managed ineffectively. The Campaign is aware that all corporate bookmakers have declined electronic, linked versions of exclusion software that have been developed and offered to them. One such system, [Gamtrain](#), could be integrated into the shop Epos systems, linking shops and those excluded within a certain geographic area to enhance detection and help exclusion. Gamtrain, as with others, have all been declined in favour of maintaining a paper based system that has continually proven flawed and difficult to link up.

- 3.14 It is clear with the bookmakers that regulatory control rather than allowing voluntary control, is essential to enhance social responsibility measures. So far, the Gambling Commission has failed to recognise SSBTs as a money laundering risk, a source of harm and a regulatory work-around.
- 3.15 Premises operating gaming machines should be required to be at least double staffed when machines are in operation. In respect of LBOs this is essential in reducing the likelihood of criminality in premises, including violence against staff. Given the incidents of violence toward staff and within LBOs generally, as noted in **the APPG Submission**, the same minimum standards should apply as to AGCs and other gambling premises.
- 3.16 Premises operating gaming machines should be required to report all incidents of crime inside premises to the Gambling Commission and the local authority. This data should be collated and made publicly available.
- 3.17 It is essential that DCMS note the honest opinions and views of senior industry insiders who object to FOBTs in betting shops. Recent reported comments of two very senior Paddy Power executives in respect of FOBTs are noted below:
- iv [Fintan Drury the former Chairman of Paddy Power wrote in the Times newspaper](#) of FOBTs – *“The sector, of which I was a part for almost a decade, needs to act now in order to protect its most vulnerable customers but also to prevent what could well become its own slow decline... At the heart of the gambling sector, there is a troubling partnership between government and industry... Despite irrefutable evidence of how much damage is being done to society, they support each other in a manner that facilitates the addictive tendencies of hundreds of thousands of citizens. FOBTs ‘work the streets’ and while government and the industry profit from them they stand accused of being their pimps.”*
 - v More recently [Stewart Kenny, the former CEO of Paddy Power was reported to have lobbied against FOBTs](#) when the Republic of Ireland gave consideration to them. He described them as “*dangerously addictive*” and being the “*crack cocaine of gambling*” and were “*particularly enticing to younger gamblers in disadvantaged areas*”.
- 3.18 A [Times comment piece](#) published alongside the Paddy Power CEO story, by Oliver Kamm calls for FOBTs to be banned. This follows on from the Times newspaper group inviting Campaign founder, [Derek Webb, to make the case for FOBT stake reduction in the Times Thunderer](#).

Q4. What, if any, changes in the number and location of current gaming machine allocations support the Government's objective set out in this document? Please provide evidence to support this position.

- 4.1 There is no evidence to support increasing the number of locations at which gaming machines are allowed or the number of gaming machines allowed in those premises.
- 4.2 There is no evidence to support expanding the current category B group of machines to allow any gambling sector access to stakes above their currently permitted level (£1, £2 or £5).
- 4.3 As well as addressing the high stakes on FOBTs, DCMS need to reconsider allowing multiple category game content on a single terminal. FOBTs have been allowed to develop with Category B2, B3 and C game content available on a single terminal effectively tripling the regulated machine allowance of four machines.
- 4.4 Evidence is already available to DCMS showing that access to and the playing of combined content on the same terminal, in the same session of play results in bigger losses being incurred by players.
- 4.5 This has allowed further manipulation by bookmakers and their FOBT suppliers of game content and stake levels. B3 slot type games that introduce the player to stakes above £2 per spin - commonly referred to as B3 hybrid games, have been introduced to FOBTs seemingly through manipulation of a flaw in the 2005 Gambling Act and it is unclear under what category these games are defined. See **section 4.1 and 6.5 of the APPG Submission**.
- 4.6 On FOBTs they are described as B3 slot games yet the Gambling Commission identifies them as B2 slot games. If, as the bookmakers are implying on game descriptions, these games are B3 (with hybrid bet capabilities) that allow players to access stakes above £2, then the game is clearly neither a category B3 or B2 game. It is effectively a new category of game, that has not been pre-sanctioned by the Gambling Commission nor by legislation. The Commission has failed to deal with this issue and the Campaign urges DCMS to act under this review.
- 4.7 Several Local Authorities have struggled with new LBO applications for premises that are much smaller than a traditional LBO and clearly being designed by operators with FOBTs as the prominent offering rather than that of the licence being granted.
- 4.8 As our **APPG Submission, section 3.1 Primary Gambling Activity** notes, the Gambling Commission has failed Local Authorities in providing adequate and robust guidance on how to deal with and prevent LBOs opening or being converted or split from other gambling premises just to offer four FOBTs. The Gambling Commission has now dropped any reference to primary gambling activity following their legal debacle with Luxury Leisure.
- 4.9 In this case, the Gambling Commission sought to argue that the test was whether sufficient facilities for betting were provided to indicate that it was the primary activity. The Gambling Commission lost the case with the judge describing the concept of primary activity as being used "ambiguously". The judge also went on to criticise the Gambling Commission code (LCCP) due to the ambiguity of definitions and interpretations. There is no ambiguity in using Gross Gambling

Yield to determine the primary activity and the Campaign urges DCMS to reinforce this under this review.

- 4.10 We also refer DCMS to our submission to the Gambling Commission review and consultation “Controlling where gaming machines may be played” (November 2015)^{56(attached)}

Q5. What has been the impact of social responsibility measures since 2013, especially on vulnerable consumers and communities with high levels of deprivation? Please provide evidence to support this position.

- 5.1 **See APPG submission, section 4 (4.1 to 4.15).** An adequate response to this question, supported by evidence, is required from the industry. Concerns regarding the use of “social responsibility measures” as a block and excuse not to act on stake size are outlined below.
- 5.2 Attached is The Campaign’s submission to the Responsible Gambling Strategy Board (RGSB) three-year strategy consultation (2015)^{57(attached)}. This outlines Campaign concerns around the lack of evidence supporting the use of harm minimisation measures and the pursuance of such by the RGSB as part of their strategy.
- 5.3 We also refer DCMS to “A Review of the Responsible Gambling Strategy Board’s National Responsible Gambling Strategy 2016-17 to 2018-19”^{58(attached)} carried out by Professor Linda Hancock and Shannon Hanrahan of the Outcomes Group.
- 5.4 Also attached is a document entitled - Responsible Gambling Trust: Case for a Charity Commission review^{59(attached)}. The industry has exerted considerable influence on both the research commissioning process and on dictating the parameters of research on FOBTs, and this document explains the evidence supporting this.
- 5.5 After the triennial review of stakes and prizes in 2013, the Government chose to delay action on FOBTs pending the outcome of RGT research that was commissioned under the Chairmanship of Neil Goulden the ex-CEO of Gala Coral, who, at the time it was commissioned, was also Chair of the ABB.
- 5.6 A report assessing the implications of industry funded research published by [Goldsmiths University](#)⁶⁰ quotes Neil Goulden, who said: “*There is very clear evidence that problem gambling is about the individual and not any specific gambling product or products.*” Fair Game states that this idea is “*strongly resisted by many researchers, who support the more nuanced perspective that the harms caused by gambling emerge from a complex encounter between people, products and environments.*”
- 5.7 Understanding the impact of social responsibility measures, firstly requires an understanding of the impact of easy accessibility to high stake machines, especially in areas with a high number of vulnerable people in the community. The RGT research failed to properly evaluate the £100 staking capacity on FOBTs in this context.
- 5.8 A “Review of the Responsible Gambling Trust Machines Research Programme”^{61(attached)} is attached, carried out by Professor Linda Hancock and Shannon Hanrahan of the Outcomes Group.
- 5.9 As noted in **section 4.7 of the APPG Submission**, a board briefing for the Gambling Commission presented in March 2014 described the ABB Code of Conduct as providing “[*insufficient assurance that they were taking social responsibility, particularly in relation to FOBTs, seriously*](#)”⁶²

- 5.10 It contradicted claims from Professor Mark Griffiths and the ABB that the Code of Conduct was “world leading”, describing it as “composed largely of measures that the industry ought to have been delivering already or which they had already been doing for other reasons”. Professor Griffiths had a role in drafting the measures contained within the Code of Conduct, and was quoted at the time of its publication, stating: “I am delighted that the ABB has taken such a proactive stance in their efforts to promote responsible gambling and minimise problem gambling.” However, it is evident that the Gambling Commission takes a rather different view.
- 5.11 Professor Griffiths’ endorsement of the industry can be contrasted with his view in 2005, where he said: “If I wanted to design a machine that would keep people in addictive behaviour patterns, then I would invent something that you could gamble a lot on again and again. Virtual roulette is designed to do this.”⁶³
- 5.12 Stemming from the Gambling Commission’s recent consultation on the LCCP, it appears to have changed track on the reporting of serious incidents and in their summary of the published consultation, said: “Later this year the Gambling Commission will be considering whether to require licensees to provide information about crimes not covered by the latest changes - such as police call-outs to premises - as this may be useful in terms of social responsibility considerations.”
- 5.13 Incidents of failures in social responsibility and money laundering protocols by bookmakers are mounting:
- i <http://www.gamblingcommission.gov.uk/pdf/Press%20release%20-%20public%20statement%20re%20Coral%20Racing%20Limited.pdf>⁶⁴
 - ii <http://www.gamblingcommission.gov.uk/pdf/Public%20statement%20-%20Ladbrokes%2023%20October.pdf>⁶⁵
 - iii <http://www.mirror.co.uk/news/uk-news/betting-shops-fear-drug-barons-7258011>⁶⁶
 - iv <http://www.liverpoolecho.co.uk/news/liverpool-news/police-raids-bookies-money-laundering-10800026>⁶⁷
 - v <http://www.itv.com/news/granada/2016-03-08/gangsters-moll-helped-launder-money-stolen-in-raid/>⁶⁸
 - vi <http://www.gamblingcommission.gov.uk/pdf/Paddy-Power-public-statement-February-2016.pdf>⁶⁹
 - vii <http://www.gamblingcommission.gov.uk/pdf/Public-statements/27-04-16-Gala-Coral-Public-Statement.pdf>⁷⁰
 - viii <http://www.gamblingcommission.gov.uk/Press/2016/Betfred-to-pay-over-800000-following-licence-review.aspx>⁷¹
 - ix <http://www.dailymail.co.uk/debate/article-2499071/Money-laundering-addiction-social-cancer-High-Street-betting-shops.html>⁷²
 - x <http://www.gazettelive.co.uk/news/teesside-news/1m-smugglers-who-sold-dodgy-12266625>
 - xi <http://www.birminghammail.co.uk/news/midlands-news/gangster-jailed-over-2m-ladbrokes-12224802>
- 5.14 See **section 2 of our APPG Submission on crime and social disorder**. However, we also detail below correspondence with the Chief Executive of the Gambling Commission relating to a story run by the Daily Mirror based on FOIs pertaining to Police call-outs to betting shops across London:

“We would like to draw your attention to an article published in the Daily Mirror on the 27th June this year headed “Bookies’ 999 calls on the rise as angry punters smash ‘crack cocaine of gambling’ machines”⁷³.

The article was spurred by a Freedom of Information request made to the Metropolitan Police by the Daily Mirror, to ascertain the number of Police call-outs to betting shops. The response from the Met Police is attached with a 2012 to 2016 set of results^{74(attached)}.

Firstly, the data on Police call-outs is confined to the area covered by the Met Police – that of Greater London, but excluding the City of London. Secondly, the figures exclude Coral betting shops who we estimate operate circa 258 shops in the Greater London area.

For ease of reading and to compare against the number of betting shops each of the bookmakers quoted operate in London, we have compiled the following table with total annual call-outs as reported by the Met Police:

Whilst it should be noted that some calls recorded as Police attendance to, or at the location of a betting shop may not in all instances be directly associated with an incident on the premises. The extremely high volume of calls cannot just be put down to location reporting coincidental to betting shops. The table also raises questions regarding Paddy Power shops which have a ratio of 22 calls per shop in Greater London.

Bookmaker	LBO	Police Attendance (2015)	Ratio/LBO
William Hill	524	4,673	9
Ladbrokes	381	2,687	7
Coral	258	N/A	NA
Betfred	190	1,292	7
Paddy Power	153	3,307	22

There is also a clear and worrying anomaly between this data on call-outs which covers just Greater London and the data provided on call-outs by the Gambling Commission.

We have just submitted an FOI to the Commission on Police call-outs to betting shops for 2015 and will compare the Met Police data for 2015 when this is available. However, when we look at 2013 to 2014 it is crystal clear that there is something significantly wrong in the data being captured by the Commission from operators.

Based on previous FOIs we have put together a comparison below between what the available Commission data notes and that of the Met Police:

	GC recorded call outs UK	Met Police call outs London
2012/13	N/A	10,810
2013/14	7,436	11,363
2014/15	11,232	11,784
2015/16	N/A	11,959

Between 2013 to 2014 the Met Police recorded 23,147 call-outs to betting shops in Greater London whilst the Commission polling from operator regulatory returns recorded 18,668 across the UK, excluding Northern Ireland. Even allowing for some landmark/location reporting and taking into account the Met Police figures exclude Coral, you must agree there is a clear anomaly?

Whilst the Commission, as they did in the case of Newham versus Paddy Power, may support the argument that a distinction between landmark/location reporting is needed to quantify actual incidents in betting shops, evidence already suggests a higher prevalence of crime within 400 meters of betting shops located in town centres - noted in Geofutures research for the Responsible Gambling Trust – “areas close to betting shops tend towards higher levels of crime events, and resident deprivation, unemployment and ethnic diversity” (Page 38-40)⁷⁵. In urban areas outside of town centres the prevalence of crime incidents within 400 meters of betting shops is more than three times the average.

We look forward to receiving the 2015 data from the Commission and no doubt you will want to see the latest comparison yourself, but it is increasingly obvious there is an issue relating to crime on betting premises and in the vicinity of them, that the Commission should be concerned about.

Any clarification on the Police call-out figures provided by the Commission would be appreciated, though we understand that under the current procedures you are wholly reliant on betting operators for your data collection. A regime that applied fines for the provision of incorrect returns could have more confidence in avoiding the discrepancy we have identified.”

- 5.15 William Hill in their half year update described Government measures to help players stay in control as a “[disruption to gaming revenues](#)”⁷⁶. The latest half year financial updates from the two biggest operators, Ladbrokes and William Hill, show continuing growth in FOBT yield, with Ladbrokes’ heavy reliance on the machines accounting for 55% of its land based profits. The continued rise in FOBT profits is set against a backdrop of “social responsibility measures” and a Government-imposed soft cap stake restriction.
- 5.16 One year after the introduction of the Code of Conduct measures, [Ladbrokes 2015 Q1](#)⁷⁷ showed profit **increase of 16%** with each FOBT returning £1,033 per week, [William Hill](#)⁷⁸ showed an **increase of 4%** with each FOBT returning £965 per week, [Coral in their Q2](#)⁷⁹ showed an **increase of 4%** with each FOBT returning £1,000 per week and [Paddy Power to Q2](#)⁸⁰ showed an **increase of 8%** with each of their FOBTs returning the highest in the UK at £1,373 per week.

Operator	FOBT Win PW	% Increase
Ladbrokes Q1 2015	£1,033	16%
William Hill Q1 2015	£965	4%
Coral Q2 2015	£1,000	4%
Paddy Power Q2 2015	£1,373	8%

- 5.17 Circa the publication of the above 2015 financial updates, the Government £50 staking threshold was introduced and rolled out (April 2015) in addition to the bookmaker voluntary measures. The latest 2016 financial performance updates, as per 2015, show continued growth in FOBT profits.

Operator	FOBT Win PW	% Increase
Ladbrokes Q1 2016	£1,063*	2.90%
William Hill Q1 2016	£1,003*	4%
Coral Q1 2016	£1,020	5%
Paddy Power Q1 2016	£1,482*	8%

- 5.18 Two operators have declared the following assessment of performance post introduction of the Government's £50 staking measure: [Paddy Power \(March 2016\)](#)⁸¹ *"Notwithstanding the adverse mid-single digit percentage year-on-year impact from the introduction in April of new regulations for the '£50 staking journey', like-for-like machine revenue growth was 4% in the period April to December."* [William Hill \(May 2016\)](#)

"Gaming machine net revenue was up 4% in the period and has grown 9% since rolling over the start of the £50 journey on 1 April 2015."

- 5.19 No reduction in FOBT income in response to either range of measures has happened, showing the positive effect on player behaviour has not happened.
- 5.20 The latest [Gambling Commission statistics to March 2016](#)⁸² show continued growth of 3% in FOBT GGY. The dominance and continued growth of FOBT GGY in LBO contrasts with a continued decline in the primary activity of betting as is noted below.

	Apr 2014 Mar 2015	Apr 2015 Mar 2016	Share
FOBT	1,680.84	1,731.73	55%
Dogs	221.26	208.69	7%
Football	281.59	329.76	10%
Horses	640.03	596.61	19%
Numbers	197.07	191.26	6%
Other	79.14	87.33	3%
Total	3,099.94	3,145.37	

- 5.21 **The APPG Submission section 3.3 Test Purchasing** draws attention to the latest statistics on testing carried out by Local Authorities.
- 5.22 Latest statistics from the Gambling Commission to 2015 on test purchasing show a marked decline in activity by local Authorities and some disparity between total numbers for LBOs and AGCs – both with a high-street presence. Test purchasing exercises were carried out on just 51 LBOs in 2014/15 which equates to just one out of every 172 premises. Again 51 were carried out on AGCs, but that represents 1 in every 28 premises.
- 5.23 It represents a risk to the licensing objectives to leave test purchasing at the discretion and control of gambling operators. More resources should be made available to Local Authorities for the

required check and balance on ensuring under age gambling is effectively being prevented. The scope of test purchasing should include the effectiveness of self-exclusion procedures and anti-money laundering controls, social responsibility measures, as well as under age controls.

- 5.24 Given the latest revelations of [children gambling and becoming problematic gamblers](#)⁸³ there is a sense of urgency to dealing with this issue, in particular for LBOs which are the most dominant in numbers, most easily accessible and contain one of the hardest, but most attractive forms of gambling to pathological gamblers.
- 5.25 NatCen recently noted that there are around two million FOBT gamblers and with historical BGPS evidence indicating that 10% are problem gamblers, this gives an estimate of 200,000 FOBT problem gamblers in the UK. At an annual socio-economic cost estimated at £10,000, this gives a gross annual estimated socio-economic cost of FOBTs at £2 billion, exceeding the actual amount lost on FOBTs of £1.73 billion (2015/16).

Q6. Is there anything further that should be considered to improve social responsibility measures across the industry? Please provide evidence to support this position.

- 6.1 The Campaign accepts that part of gambling addiction rehabilitation is recognition of responsibility for actions. However, this is not justification for expecting all gamblers to gamble "responsibly", whatever the phrasing or the nudging functions, or for expecting that such measures will ever have any meaningful impact.
- 6.2 Government should be primarily responsible for minimizing the level of gambling harm through controlling accessibility, marketing, locations, content, stakes and prizes. The fact that remote gambling has circumvented most of these controls is not reason to avoid applying these controls to offline gambling.
- 6.3 Consideration should be given to applying stake and prize restrictions on remote gambling, particularly in respect of slots and casino games. [GamCare reporting statistics for the period 2015/2016](#)⁸⁴ show that offline casino table games (which would include casino poker) only have a reporting level of 5% compared to online casino of 8% and poker 2%, being combined at 10%. Offline slots, other than FOBTs, only have combined reporting levels of 6% (arcades 3%, bingo 1% and casino 2%) compared to 11% online.
- 6.4 Consideration could even be given to the concept of prohibition of remote slots and casino table games. There is no international evidence that there are any player groups anywhere requesting legalization of remote slots and casino table games. There is no international evidence that there are any illegal offline slots or casino table games as a direct consequence of denial of remote gambling at these activities.
- 6.5 There is no evidence that populations in jurisdictions that do not have legal remote slots or casino table games are any less fulfilled in any way through these remote activities not being available. There is no evidence that there is any economic detriment to jurisdictions preventing remote slots and casino table games.
- 6.6 There is of course player demand for legal remote race and sports gambling and poker and evidence of those activities being conducted illegally offline where they are not permitted remotely.
- 6.7 Treatment is the most important aspect of research, education and treatment. Government should have responsibility for ensuring that there is adequate treatment provision and adequate funding for that treatment.
- 6.8 The current charitable, voluntary funding system as was outlined by the new Chief Executive of Gamble Aware, is not attaining maximum funding under this system. Commenting in the Financial Times Kate Lampard said: [*"One of the very biggest of the gambling companies, we are almost certain, is only paying a third of what they ought to, based on the 0.1 per cent calculation. We have all shapes and sizes of fare dodgers."*](#)⁸⁵
- 6.9 So far unquantified in the UK is the socio-economic cost of pathological and problem gambling. Moves to address this lack of information are underway and a report is expected to be published by Gamble Aware (formerly the RGT), ironically, after the close of this review. If gambling operators

cannot behave ethically under a voluntary levy system then future Government policy should shift to a structure of gambling taxation that firstly, compensates the economy of the socio-economic cost, secondly the cost of treatment through the NHS and thirdly, shift the tax burden to those products and gambling platforms that cause the greatest harm.

Q7. Is there any evidence on whether existing rules on gambling advertising are appropriate to protect children and vulnerable people from the possible harmful impact of gambling advertising?

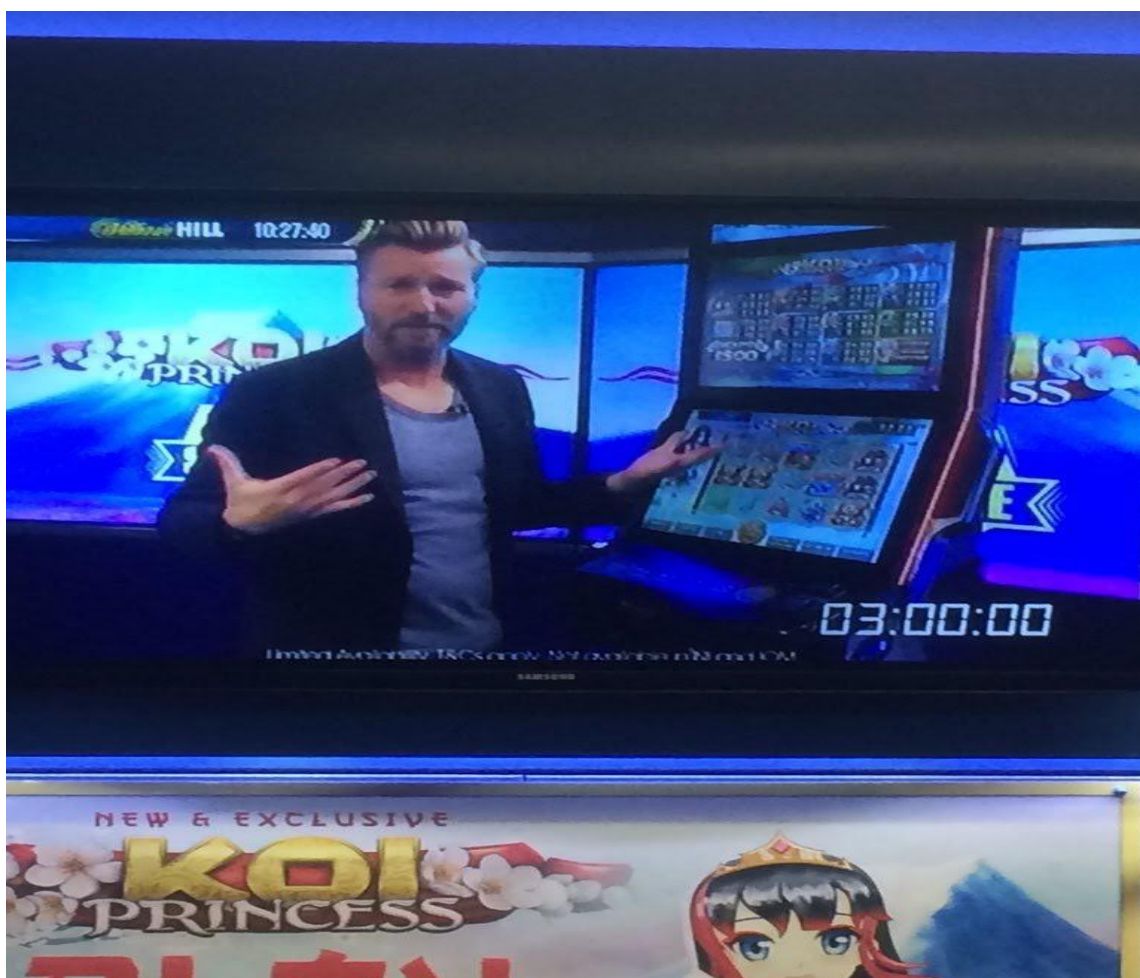
- 7.1 Gambling advertising in general normalizes the activity of gambling. The National Lottery advertising of the message "It could be you" was instrumental in lowering the bar for truth in gambling advertising.
- 7.2 As gambling activity increases, so does consequential gambling harm. It is interesting to know what percentage of the adult population are pathological gamblers but this does not inform what percentage of the population are at-risk problem gamblers, occasional binge gamblers or gambling when financially vulnerable i.e. those who are only just managing.
- 7.3 Also, it does not inform how many years of harm are experienced and the depth of the degree of harm or the totality of the socio-economic impact on the individual, associated individuals and society.
- 7.4 It is obvious that all advertising and marketing increases gambling participation by numbers, frequency and intensity. Therefore, all advertising and marketing will increase consequential harm.
- 7.5 Pre-watershed TV advertising is more likely to be seen by children and persons who are not in full-time employment so are more inclined to be financially vulnerable. Currently allowed pre-watershed advertising relates to bingo, betting during TV horseracing and sports broadcasts, primarily football.
- 7.6 Each of the remote bingo, race betting and sports betting sites often have casino sites with table and slot games with the same brand name and are often only a click or so away from the advertised sites. Allowing pre-watershed advertising of any kind is encouraging marketing of cross-platform gambling. This is commercially disadvantageous to casino only and poker only sites.
- 7.7 One of the concepts in The Budd Report: A Safe Bet for Success² was that a gambler should know what type of gambling is going to be offered upon entry to gambling premises. Allowing click-through from sub-sector to sub-sector in remote gambling contradicts that.
- 7.8 Bingo, whether bricks-and-mortar or remote, cannot claim to be more social or less harmful than regulated poker. There is no justification for allowing bingo advertising pre-watershed.
- 7.9 Horse racing and dog racing are provided with some funding by bookmakers through agreed financial arrangements. This relationship itself is not a justification for allowing pre-watershed advertising of race betting.
- 7.10 During the broadcast, the betting odds on the featured races are always displayed. There is often commentary on changes in the odds, often by persons with close relationships with bookmakers or persons employed by bookmakers. This is part of the entertainment of these activities. Advertising of an event by a sponsor can be acceptable if the advertising is restricted to the brand name only. There should not be any need for specific betting advertising pre-watershed during racing broadcasts.

- 7.11 Football betting advertising, like racing advertising, is not just advertising betting remotely only, it is also advertising odds for shop betting. This encourages young men to visit a LBO for the first time to make a football bet.
- 7.12 LBO staff can distinguish which customers are new to the shop and they are instructed to market the FOBT games specifically to these new customers. Lessons on how to play, free play, tournaments, bonuses and credits are all tools that staff use to get persons engaged on FOBTs. It is also a fact that these free games offer a more enhanced Return to Player (RTP) than the real pay for play games.
- 7.13 If the declared margin percentage of RTP is not adhered to when FOBTs are in "free play" mode, this is not representative of real play. This could not be described as "fair and open" under a rational interpretation of that licensing objective.
- 7.14 Cross-marketing of FOBT gambling to in-shop football bettors engaged through remote betting advertising is particularly insidious. There is no justification for continuing pre-watershed sports betting advertising.
- 7.15 Certain types of remote gambling advertising are not in compliance with a rational interpretation of the "fair and open" licensing objective. In particular, these relate to the advertising of odds and the advertising of offers.
- 7.16 Bookmakers create their own race and sports odds. They should be willing to accept bets at the advertised price. However, remote race or sports gamblers are [having their bets restricted and/or their accounts closed](#)⁸⁶. Refusal of bets at advertised odds also extends to LBOs, particularly if a person is not already known to shop staff.
- 7.17 With LBOs operating what should be an ancillary product, machine gambling, with payoffs up to £500, it is illogical that they should not be required to accept bets from anyone at advertised odds to win £500. There is no reason that the same requirement should not apply to remote gambling.
- 7.18 The concept of a win of £500 per wager should be understood as follows. A wager at 1 to 1 to win £500 should be accepted at a stake of £500. A wager at 10 to 1 to win £500 should be accepted as a stake at £50. An each-way bet should be accepted as above for a £500 win for the win component only, as the place component is a separate wager.
- 7.19 Losing gamblers, including gamblers offered special treatments such as trips to races or sporting events, are not informed that if they become winning gamblers or even break-level gamblers their business will no longer be welcome. Bet refusal and account closure practices not being fully disclosed to all gamblers is deceptive behaviour that is not "fair and open". Odds advertising should not be allowed at any time in any advertising format until there is a change in bet acceptance regulations.
- 7.20 One aspect of bookmaker odds advertising is that of accumulator bets with high margins. Most commercial sectors would think it made sense to advertise the option that was most favourable to their customer, the option with the best value and probably the lowest mark-up. Accumulator odds though are totally contradictory to this general principle.

- 7.21 For example, a four-win accumulator at 2 to 1 on each of four different events at an edge of 10% would notionally result in a payoff of 80 to 1 with a house advantage of 34.4% but the payoff could easily be offered at 70 to 1 to further increase the margin.
- 7.22 To accompany the accumulator odds there might be some sort of associated offer. This type of wager and offer appeals to inexperienced and naive gamblers.
- 7.23 Offers are often presented as sign-up bonus or credits of cash amounts such as for example £20. There is usually a co-commitment for the gambler to put up a cash amount, often in parity, for example £20. There are then terms and conditions related to wagering turnover requirement prior to any withdrawal ability.
- 7.24 In the instance of the gambler having the £40 starting bankroll of the two £20 combined amounts there could be a requirement to turnover stakes of £800 on slot games with a theoretical house advantage of 5%. The theoretical loss in this case is £40, being 5% of £800. So, the theoretical value of the £20 offer is less than zero, it is negative £20.
- 7.25 Some gamblers will of course lose all the £40 before turning over £800. Similarly, some gamblers will end up with cash left of up to £20, from £20 to £40 or the odd winners with over £40. This does not detract from the theoretical mathematics that the offer has no value and even has a cost.
- 7.26 Most offers are not as easy to understand as the above illustration. There might be a mixture of available turnover options. The house advantages per option will not be explained in the offer. There will not be information regarding the true net equity value of the offer.
- 7.27 These deceptive offers are inducements to naive and inexperienced gamblers. They are not in compliance with the "fair and open" licensing objective. They should not be allowed at any time on TV or in any media.
- 7.28 Some advertising of remote gambling, mainly online, is conducted by affiliates. The affiliates have commercial relationships with the sites they recommend. Gamblers are steered towards gambling sites under unproven claims such as "Best Roulette". Gamblers are not advised that the affiliates will have a share in the gambler's losses and that the affiliate share could be as high as 70% based on numbers and amounts involved.
- 7.29 Affiliates can have games on their sites that are free-play games that are biased to give more back to the player than the real game would. This deceptively induces naive and inexperienced gamblers creating a false sense of the ease of winning at gambling.
- 7.30 There is concurrently an investigation by the Information Commissioners Office (ICO) into spam texts and messaging of remote gambling. If affiliates sharing in gambler losses had always been required to be regulated by the Gambling Commission, then these practices might never have developed.
- 7.31 Affiliate advertising based on anything other than games that are true and click-through fees only, rather than revenue share, should not be allowed at any time on TV or in any other media.
- 7.32 Celebrities, often ex-sports stars, are often engaged to promote remote gambling and often do so on social media. Sports commentators retained by the media, whether on TV, newspapers or

dedicated sports information sites should not be allowed to promote gambling sites at the same time. The current acceptance of this will influence the young, vulnerable, inexperienced and naive.

- 7.33 Revenue share between the site owner and the software provider is common, particularly in slots and casinos games but gamblers are usually unaware of this aspect. Similar to affiliate relationships, non-disclosure to gamblers of these relationships does not fit with a broad interpretation of "fair and open" gambling.
- 7.34 It is of particular concern that corporate bookmakers are using celebrities, especially footballers, to promote FOBT games internally in shops. They have ceased exterior window marketing of FOBTs and instead ramped up aggressive internal promotion.



- 7.35 Another aspect of TV promotion of gambling is late-night TV roulette. Each spin is independent of past and future spins, therefore all patterns are illusions. However, commentary on these broadcasts includes misleadingly implying that there are discernible patterns worth considering as part of wager selection.

- 7.36 This is not “home-shopping” it is pervasive gambling, targeting an audience that is likely to include vulnerable persons such as insomniacs, heavy alcohol or drug users and persons with mental illness.
- 7.37 All remote gambling advertising implies ease of access to the gambling activity and winning at the activity, therefore implying ease of access to funds withdrawal. The reality is that account closure and/or funds withdrawal is generally a longer process than account opening and/or funds deposit. If anything, it should be the other way round as sites already have the customer information at withdrawal or closure that they do not initially have at deposit or opening.
- 7.38 Jim Ryan, then CEO of Party Poker, stated at a Nevada Gaming hearing into remote gambling that of the one million unique users per month only 71 showed signs of problem gambling. The way the algorithm is set will give the answer the operator is looking for, rather than the facts.
- 7.39 There has been a wealth of media stories related to remote gambling addiction and the consequential harm. It should not be the function of parties concerned about remote gambling to produce this evidence. This should already be collated by the responsible gambling establishment.
- 7.40 The Gambling Commission and the RGSB should have understood the need to differentiate each form of remote gambling and not regard remote gambling as homogenous. They should want to learn more about the pathway to the site on a sector by sector basis, relative to gambler behaviour.
- 7.41 A few relevant example questions apply: Are gamblers taking up advertising offers more likely to experience harm? Are gamblers introduced through affiliates more likely to experience harm? Are gamblers on multiple platforms within a brand more likely to experience harm?
- 7.42 The RGT (now Gamble Aware) should easily have the ability to conduct this type of research without allowing operators to hide behind “commercial confidentiality”.
- 7.43 Gambling treatment service providers should have information on which forms of remote gambling clients were engaged in, the degree to which they were engaged in, both time spend and money spend, in addition to the pathways to access the sites.
- 7.44 The Gambling Commission, and remote operators, have a duty to ensure there is no association of gambling and crime. There should be databases of all cases of crime where funds have been used for remote gambling or money-laundering through remote gambling.
- 7.45 Sports integrity is always considered a vital component of gambling regulation. Whilst protecting the reputation of sports is important, the reality is that this can never be fully delivered. The party that gains the most from sports integrity measures is the bookmaker. Gamblers may just as easily win as lose as a consequence of a corrupted result. Many racing gamblers make their selections on the suspicion of, or knowledge of, insider information.
- 7.46 Conversely game integrity which protects the gambler is hardly ever mentioned. There is reliance on the veracity of random number generators (RNGs) with virtually no independent testing. However, remote game RNGs are more easily accessible to unidentified human corrupting, than a deck shuffled at a live casino table, or a non-intranet based gaming machine. Cryptography technology has not yet been applied to games in remote gambling.

- 7.47 If remote gambling operators had the highest levels of integrity, then there would be more confidence in the integrity of the RNGs. However, many remote sites have obtained revenue from jurisdictions where the Government has stated that activity is illegal. The alleged justification is that this is a "grey area".
- 7.48 The alleged justification by the remote sector is that the gambling is where the server is, not where the gambler is. This is clearly false as the consequential harm of gambling is where the gambler is, so that must be where the gambling is.
- 7.49 An opposite and contradictory justification was alleged for the introduction of FOBTs by the unregulated bookmakers prior to the 2005 Gambling Act. The gambling takes place in the betting shop but it could not be called gaming as this certainly would be illegal. So the bookmakers called it "betting" on an event outside the shop. The "event" was random number generation of roulette results at an off-premises intranet server.
- 7.50 Remote sites have infringed intellectual property rights by using games with historical creator and ownership records, without permission of the rights owner. Usually the terms and conditions claim that all content on the site is owned by, or licensed to, the site owner.
- 7.51 This becomes a false claim, in respect of proprietary games used without permission. Therefore, all gambler losses on those games have been obtained by deception.
- 7.52 DCMS is willing to assist in funding arrangements for the video-gaming sector. The Gambling Commission requires remote operators not to have relationships with sites that breach copyright. Yet DCMS and the Gambling Commission have ignored abuse of propriety game rights by the remote sector.
- 7.53 DCMS should have a greater duty to protect the BBC than to protect commercial TV companies. These companies have assisted the remote sector to profit from the deceptive practices as described.
- 7.54 This is bad enough by itself, but much of the remote sector is offshore under facilitation rather than regulation. The sector [avoided paying UK taxes](#)⁸⁷ and has opposed the UK point of consumption tax in the courts. In doing so, it has obtained an unjustified commercial advantage over bricks-and-mortar operators.
- 7.55 Regardless of whether there is any economic benefit of remote gambling it makes sense for sites accessing UK gamblers to be in the UK and pay UK taxes. It is logical that the less labour intensive forms of gambling, such as FOBTs and remote gambling should be on at least the same rate of tax, or higher than, more labour intensive forms of gambling. For example, bricks-and-mortar casinos are taxed from 15% to 50%, whereas remote casinos are only taxed at 15%.
- 7.56 The most significant example of a tax differential is Pennsylvania which now generates greater tax revenue from casino gambling than Nevada does. Pennsylvania slot machines are taxed at 55% whilst table games are taxed at 16%. The remote gambling tax should be increased to at least 20%.
- 7.57 The Gambling Commission announcement of the investigation by the CMA explains that the Commission has provided information to the CMA and that the CMA is contacting operators to

demand information. Simultaneously the ICO is demanding information from operators and affiliates related to possible data abuse in the promotion of gambling. These investigations should provide a wealth of evidence to ensure that there is a solid clampdown on questionable practices.

- 7.58 Taking all of the above into consideration it would be preferable to ban all TV advertising of remote gambling and introduce stricter controls on this sector.

Q8. Any other relevant issues, supported by evidence that you would like to raise as part of this review but that has not been covered by questions 1-7?

- 8.1 Prior to being under DCMS, gambling came under the remit of the Home Office. It is certain that if gambling had stayed under the Home Office then there would have been stricter interpretation and enforcement of the 2005 Gambling Act and the licensing objectives.
- 8.2 Prior to the 2005 Gambling Act, the regulator was the Gaming Board. The Board had the ability to interpret the "spirit" of the prior Act. The Board was willing to revoke licenses for transgressions, such as revoking the casino licence for Ladbrokes.
- 8.3 The current regulator, the Gambling Commission, has narrowly interpreted the licensing objectives. It never imposes serious punitive fines for serious transgressions. It never attributes responsibility to specific executives in corporate structures or revokes personal licenses of the transgressors.
- 8.4 There is clearly a desire for a change of direction to stronger enforcement following a recent speech by Sarah Harrison, CEO of the Gambling Commission. However, it will remain to be seen how seriously this will apply to the large corporate operators.
- 8.5 The authority of the Commission appears to have been diminished, as it has now taken on an almost promotional role. It has a motto "*keeping gambling fair and safe for all*" which can never be delivered. It is the influence of weak international standards of remote gambling regulation that has had a negative impact
- 8.6 British companies have relocated offshore to lax regulatory regimes. DCMS should obtain original copies of the licence applications and background check forms that were used by the "white-listed" offshore jurisdictions prior to 2005. These will show that there was no conventional regulatory oversight, just facilitation.
- 8.7 Traditionally, regulators never exhibited at gaming shows. With the advent of remote gambling though, regulators, acting in economic development roles, marketed their jurisdictions at exhibitions. This led to a race to the bottom in respect of regulation.
- 8.8 It was accepted that there should not be any testing of the integrity of the games. Regulators were willing to rely on operator reporting. Any customer alleging that cheating has occurred by the operator can never win that argument.
- 8.9 The Commission response was to require evidence that the game had been offered to British players. No consideration was given to the fact that a UK licensed software provider could be offering illegal game content in other jurisdictions. Even the contemplation of offering such a game to the UK market should raise questions of a regulatory nature. It is doubtful though that there will be any meaningful action against the software provider under the current lax regulatory regime.
- 8.10 The prior regulator, the Gaming Board, did commence action against William Hill over FOBTs asserting that their operation in betting shops was illegal. The case was dropped and a compromise was agreed resulting in the legitimatization in Britain of FOBTs as B2 gaming machines in the 2005 Gambling Act.

- 8.11 The alleged justification for the illegal introduction of FOBTs was that they were "betting machines not gaming machines." This was because the bet was placed in the shop on an event outside the premises, an RNG determination of a roulette result on an intranet server.
- 8.12 At the same time, the remote divisions of the same bookmakers were saying that gambling is not where the gambler is, but where the internet server is based. This alleged justification was used to facilitate avoidance of point-of-consumption taxes and avoidance of gambling laws internationally.
- 8.13 These contrary positions were invented to suit the commercial interests of the bookmakers. The market domination by bookmakers of both gambling machine revenues and remote gambling revenues is a consequence of that abuse. Any restrictions imposed by DCMS on FOBTs, remote advertising or bookmakers may result in a decline in bookmaker share prices. This likely decline should not deter DCMS from applying such restrictions.
- 8.14 The 2005 Gambling Act does not apply to Northern Ireland despite the fact that FOBTs are operational there by the same suppliers and bookmakers as in Britain. As they have never been legitimized and as they are in clear breach of the [Betting, Gaming, Lotteries & Amusements \(NI\) Order 1985](#)⁸⁸, FOBTs are being operated illegally in Northern Ireland. The legitimization of profits from criminal activity is an act of money-laundering.
- 8.15 The Gambling Commission, in conjunction with the police and local authorities have been taking action against the owners of small social clubs across the UK that have been operating poker. [Owners have been fined and imprisoned](#)⁸⁹ for money-laundering, with the Commission commenting that "[Poker cannot be the primary role or sole activity of a club](#)"⁹⁰.
- 8.16 Bookmakers have resisted being included in prior EU money-laundering directives. They claim that money laundering is not an issue on their premises and that it would be harmful to their business to enforce the directive if last minute gamblers want to place large bets over the counter. The reality though is that bookmakers are routinely refusing this type of wager from unknown customers, particularly if they have limited time to check through to the head office trading room. The bookmakers' claim is therefore based on false representations.
- 8.17 The Campaign has obtained a Queen's Counsel legal opinion which supports the assertion that FOBTs are illegal in Northern Ireland^{91(attached)}. The Commission and DCMS have been presented with this opinion. The Commission response is that it is a matter for the Police Service of Northern Ireland to take action if appropriate. The DCMS response is for the Campaign to contact a specific individual in a certain government department in Northern Ireland.
- 8.18 Again the Commission neglects to consider the licensing suitability of operators engaged in questionable activity. This is an even more egregious dereliction by the Commission if the intranet servers being used on FOBTs in Northern Ireland are in fact based in Britain under British licences.
- 8.19 DCMS should require the Gambling Commission to investigate all current and past business relationships between licensed remote gambling operators and payment processors to determine who the processors are (or were). Some payment processors were deliberately set up to mislead authorities by presenting financial transactions as being for items other than gambling. This is deceptive behaviour designed to obtain illegal profits from gambling, which are money-laundered when legitimized.

- 8.20 The action by Newham Council under the Sustainable Communities Act, supported by over 90 other local authorities, is a reflection of a disjoint between local authority understanding of their duties and the sense that the Gambling Commission is failing to assist local authorities.
- 8.21 There has not been a willingness by the Commission to require the reporting of all police call-outs to betting shops and all incidents of crime on premises. This is despite there being a licensing objective of prevention of association of gambling and crime.
- 8.22 The frequency of criminal damage to FOBTs in betting shops is unprecedented anywhere in the world in respect of damage to gaming machines. This is because FOBTs are more associated with disordered gambling than any other gambling activity. No other country has betting shop FOBTs with roulette at stakes of up to £100 per spin.
- 8.23 The fact that this behaviour is a consequence of addictive FOBT harm has been ignored by the Gambling Commission and the responsible gambling establishment of the RGSB and the RGT. There has been a bias against looking at the product as a source of harm and therefore a bias against The Campaign and our stake reduction position.
- 8.24 In response to the 2013 Triennial Review of Stakes and Prizes both the RGSB and the Commission advised that the precautionary principle could apply to enable stake reduction. With the increase in evidence of FOBT related harm and the SCA proposal, the onus should now be on the RGSB and the Commission, if not advocating for a stake reduction to £2, to provide the evidence basis for not doing so.
- 8.25 Freedom of the individual is not considered in the Gambling Act and is not part of the Commission remit. However the RGSB national strategy falsely claims that it is part of the "statutory framework" of the Commission. This falsehood disqualifies RGSB recommendations.
- 8.26 Freedom of the individual in respect of gaming machines would result in allowing unlimited locations, numbers, stakes and prizes. No-one is advocating this position. Remote gambling appears to have no such limitations but just because something happens online does not justify it happening offline. In fact this is the reason to consider restricting remote gambling rather than expanding bricks-and-mortar gambling.
- 8.27 When considering the 2014 RGT research, a meeting of the researchers, the RGT, the RGSB and the Gambling Commission was also attended by Bell Pottinger, the PR firm acting for the RGT. Unusually, this RGSB meeting was not subject to public minutes.
- 8.28 Bell Pottinger had also hosted meetings for the researchers, prior to the research summaries being drafted. The conversation involved how not to give any grounds to support the Campaign position. The RGT summaries were not even crafted by RGT staff. This research was never intended to provide any advice on FOBT stakes, although contradictory representations were made.
- 8.29 At that time the Chair of the RGT was Neil Golden, who had also been Chair of the Association of British Bookmakers (ABB). In the ABB capacity he lobbied DCMS not to reduce stakes on FOBTs, whilst the RGT was not willing to conduct research into FOBT stake reduction.
- 8.30 RGT invitations to tender for research have included the following text "reduction in gambling participation is not a proxy for reducing gambling harm".

- 8.31 The RGT has now renamed itself in a public-facing capacity as GambleAware. The new Chair of GambleAware was featured in an [article in the FT](#)⁹², criticizing the current funding levels and explaining her experience with FOBTs. (As outlined at 1.37 of this submission)
- 8.32 By contrast, Marc Etches, the RGT CEO, was being interviewed on BBC Radio 5 Live on the subject of FOBTs. He was unwilling to even talk about FOBTs and was only willing to talk about GambleAware and gambling in general.
- 8.33 Mr Etches had previously represented Blackpool in the bid for super-casinos. In those days, Mr Etches was concerned that million pound jackpots on machines should not be throughout the country, implying they were fine in super-casinos and that product, premises and accessibility do have an impact on gambling behaviour.
- 8.34 If the total amount lost on gambling has been increasing, even if the number of persons harmed as a percentage of the population has stayed constant, in all likelihood the harm per individual has increased, and the consequential harm has increased.
- 8.35 Furthermore, even if current persons harmed are moving away from harm, but they are being replaced by new persons being harmed, the totality of harm, including consequential harm, is increasing.
- 8.36 There cannot be harm minimization without maximizing the harm reduction measures. Controlling the size of stake has been a method of controlling harm caused by gaming machines since the 1960s and Government still exercises this control today as this review shows. It is inconceivable that stake reduction does not equate to harm reduction, otherwise five decades of Government strategy in this area have been wrong and anyone who denies this has no genuine interest in harm reduction.
- 8.37 GambleAware week takes place twice per year in a different location each time. But if GambleAware week is worth doing, why is it not done across other countries? Also why is every week not a GambleAware week?
- 8.38 GambleAware week is used by the bookmakers to represent that all is well in the apparent responsible gambling agenda. The ABB use it to influence FOBT politics and make misleading representations to Parliamentarians.
- 8.39 The Early Day Motion (EDM) 328 looks as though it was written by the ABB PR team. It celebrates GambleAware week, but fails to acknowledge that all gambling sectors contribute to GambleAware yet it extols the virtues of only the bookmakers.
- 8.40 The British Gambling Prevalence Survey has now been discontinued and gambling questions included in Health Surveys. At least that is a recognition that gambling is a public health issue.
- 8.41 Whilst there is minimal funding though there will never be adequate countrywide access to adequate treatment. Even a mandatory levy, unless at a substantial amount and directed to premium standards of treatment, preferably with NHS involvement, may not deliver the quantity and quality of services required.

- 8.42 Surveys provide under-estimations of gambling harm, based on the contact methodology and the likely demographics of respondents. Australian research has indicated that just following the money and the gambling losses, is a better indicator of where the harm is, compared to surveys. The research based on surveys carried out in Australia, Canada, Finland and Norway found that [gambling is like smoking: the more you gamble, the greater your risk of developing problems. There is no safe level of gambling, only risks that increase as you lose more money – even at relatively low levels of losses.](#)⁹³ A summary of the results of this research can be found below:
1. The study found that the more you gamble, the greater your risk of developing problems. There is no safe level of gambling, only risks that increase as you lose more money – even at relatively low levels of losses.
 2. These findings are important because they contradict conventional wisdom that there is a threshold below which gambling is safe. According to this view, only after a particular consumption level does risk mount.
 3. Public information about gambling should not imply that moderate gambling is risk-free. Public health messaging similar to that which related to tobacco should also apply to poker machine gambling.
- 8.43 A summary of further research in this area – “Gambling Expenditure Predicts Harm – Evidence from a venue level study”^{94(attached)} on per capita expenditure on Electronic Gaming Machines (EGMs) is noted below:
1. At a venue level, per capita EGM expenditure was significantly correlated with rates of gambling harm. The level of gambling-related harm varied substantially among venues, both between venues of different types and within each category of venue.
 2. The prevalence of gambling-related harm at the venue level was correlated with estimated monthly EGM expenditure per adult. Each \$20 increase in monthly EGM expenditure per adult was associated with an estimated 1.75% increase in the prevalence of gambling harm for a club with 22 EGMs.
- 8.44 The most blatant aspect of the responsible gambling sham is the bookmaker funded Senet Group. The Campaign complained to the Advertising Standards Authority (ASA) about a misleading Senet Group ad^{95(attached)}. The ASA decided the ad was not compliant and informed the Senet Group of this, whom subsequently withdrew the advert. So the bookmakers’ advertising watchdog was slapped down by the national advertising watchdog.
- 8.45 As the Senet Group purports to be the "advertising watchdog" for responsible gambling standards this is a farcical situation. But then it was only to be expected. A document from the ABB founders to the Remote Gambling Association (RGA)^{96(attached)} shows that the Group is just a "political firebreak" designed "to be seen to be" acting on 'responsible' gambling.
- 8.46 Health and Safety is compromised in betting shops by FOBTs, particularly when lone staffing a shop. However, health and safety in "retail" cannot be administered nationally as the local authority has to get involved. This situation must change in respect of betting shops.
- 8.47 There is no evidence that Commission LCCPs or the existence of either the RGSB or the RGT has had any impact on preventing harm, reducing the socio-economic cost of harm, consequential

harm, or the totality of harm. DCMS must insist that the proponents of "responsible" gambling should provide appropriate supporting evidence that the measures have a quantifiable impact.

- 8.48 This submission has stayed focused on issues that DCMS can influence and change quickly rather than issues that would require new primary legislation. Statutory instruments, regulatory improvements and strict enforcements can deliver a substantial amount of beneficial change.
- 8.49 The Campaign will re-engage on all gambling issues when there is realistic contemplation of new primary legislation. Meanwhile, DCMS should prioritise FOBT stake reduction to £2 as argued by the Campaign and 93 Councils under the SCA.
- 8.50 Should DCMS fail to introduce the £2 maximum on FOBTs, then The Campaign will attribute that failing to DCMS and any party advising against that measure. Throughout this document and **the APPG Submission** there is adequate explanation of how the "responsible" gambling establishment of the Gambling Commission, the RGSB and the RGT have intellectually corrupted the agenda.
- 8.51 Every party and individual that is unwilling to support FOBT stake reduction to £2 will ultimately have more blood on their hands because there will be further FOBT related suicides and further FOBT related attacks on LBO staff based on FOBT content and the LBO demographic attracted to it.

About the Campaign for Fairer Gambling

The Campaign for Fairer Gambling is a campaign striving for fairness in gambling and is centred around the three licensing objectives of the Gambling Act 2005, aimed at:

1. Preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime,
2. Ensuring that gambling is conducted in a fair and open way, and
3. Protecting children and other vulnerable persons from being harmed or exploited by gambling.

The Campaign aims to:

1. Engage with politicians to toughen legislation
2. Gather evidence of unfairness and non-transparency
3. Rally support from special interest groups to highlight the negative social and economic impact caused by problem gambling under the current legislation

The Campaign for Fairer Gambling (www.fairergambling.org) is a not-for-profit entity, philanthropically funded by Derek Webb and Hannah O'Donnell. It has also launched the "Stop the FOBTs" campaign to highlight the problems associated with Fixed Odds Betting Terminals www.stopthefobts.org.

Derek Webb, Campaign Co-Founder and Co-Funder

Derek was a successful poker player, businessman and the inventor of Three Card Poker; a game that is played worldwide on casino tables. He is an expert in understanding gambling game content and gambler behaviour. Derek and his partner, Hannah O'Donnell, won significant settlement proceeds from public corporations in US Federal civil courts based on anti-trust litigation. They have retired from commercial activity following an asset sale of their gambling games to a US public company in 2011. They provide funding for The Campaign.

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