

# **Changes to licence conditions and codes of practice on the use of credit cards for gambling**

**Consultation response**

**January 2020**

# Contents

<b>1</b>	<b>Executive Summary</b>	<b>3</b>
<b>2</b>	<b>Introduction</b>	<b>4</b>
<b>3</b>	<b>Summary of responses</b>	<b>6</b>
<b>4</b>	<b>The role of financial services in reducing harms from gambling with borrowed money – summary of responses</b>	<b>24</b>
<b>5</b>	<b>Motivations for using credit cards to fund gambling</b>	<b>27</b>
<b>6</b>	<b>Evaluation</b>	<b>32</b>
	<b>Annex: new licence condition and deleted social responsibility code of practice</b>	<b>34</b>

# 1 Executive Summary

- 1.1 We exist to safeguard consumers and the wider public by ensuring that gambling is fair and safe. We are focusing on a number of priorities to achieve this as set out in our [Strategy 2018-21](#) to:
- Protect the interests of consumers
  - Raise standards in the gambling market
  - Improve the way we regulate
- 1.2 We have considered the responses to our consultation on gambling with credit cards which proposed changes to the Licence conditions and codes of practice (LCCP). We consulted upon two separate options of either banning or restricting the use of credit cards.
- 1.3 We have decided to ban the use of credit cards for all forms of remote gambling (ie betting, gaming and lotteries) and for non-remote betting. The following general licence condition will come into effect on 14 April 2020. The red text highlights licences that have been added to the scope of the condition since the consultation.

## **Addition of new licence condition 6.1.2 - use of credit cards**

**All non-remote general betting, pool betting and betting intermediary licences, and all remote licences (including ancillary remote betting and ancillary remote lottery licences) except gaming machine technical, gambling software and host licences.**

**1** Licensees must not accept payment for gambling by credit card. This includes payments to the licensee made by credit card through a money service business.

- 1.4 The regulatory framework for gambling already prevents non-remote casino, bingo adult gaming centre and family entertainment centre operators from accepting payments by credit card. No gaming machine can be configured to accept payment by credit card. The new change to LCCP will therefore mean that holders of the following types of operating licence will also no longer be able to accept payment by credit card, in addition to those non-remote licences already described.

### **Remote operating licences**

Casino  
Bingo  
General betting (real events)  
General betting (virtual events)  
General betting (limited)  
Pool Betting  
Betting intermediary  
External Lottery Manager  
Society Lottery

### **Non-remote operating licences**

General betting (limited)  
General betting (standard)  
Pool betting  
Betting intermediary

## **Next steps**

- 1.5 The new general licence condition introducing a ban on gambling with credit cards will come into effect on 14 April 2020.

## 2 Introduction

### The Gambling Commission

- 2.1** We license and regulate commercial gambling within Great Britain, including the National Lottery, with the exception of spread betting which is regulated by the Financial Conduct Authority (FCA).
- 2.2** Our functions under the Act include:
- licensing operators and individuals
  - monitoring compliance with licence conditions and the law
  - investigation and enforcement, both in relation to licensees and illegal (unlicensed) gambling
  - providing advice to central and local government on the incidence, manner, effects and regulation of gambling.
- 2.3** We have a statutory duty to aim to permit gambling provided that it is reasonably consistent with the licensing objectives.

### Consultation proposals and background

- 2.4** In March 2018 we published our [Review of online gambling](#). The review was informed by advice from the former Responsible Gambling Strategy Board<sup>1</sup> (RGSB) which noted that gambling with borrowed money, including with a credit card, is a well-established risk factor for harmful gambling as it significantly increases the risk that consumers will gamble with more money than they can afford.
- 2.5** We outlined our support for the principle that consumers should not gamble with money they do not have. We said we would consider restricting or prohibiting the use of credit cards for gambling, but that we would explore the consequences of doing so.
- 2.6** We held a call for evidence on gambling with credit cards between February and May 2019, to help us develop our understanding of the issues. As part of this exercise we received information from a range of stakeholders including gambling operators and financial institutions, debt relief charities and consumers.
- 2.7** The data gathered from that exercise persuaded us that there are risks of harm associated with using credit cards for online gambling and that we needed to act to protect consumers. We therefore consulted specifically on two separate options of either **banning or restricting** the use of credit cards. The consultation ran from 14<sup>th</sup> August to 6<sup>th</sup> November 2019.
- 2.8** We received 128 written responses to that consultation from the following categories of respondents:
- Consumers with experience of harm from credit card gambling – 21
  - Members of the public – 29
  - Charitable and third sector organisations - 7

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<sup>1</sup> Refocussed on 2019 as the Advisory Board for Safer Gambling (ABSG)

- High street or racecourse bookmakers - 13
- Society lotteries - 12
- Remote betting and gaming operators - 14
- Gambling industry trade bodies – 5
- Financial service providers including electronic money institutions and finance sector trade bodies - 8
- Local licensing authorities and the Local Government Association – 4
- Others including academics, faith groups, gambling industry consultants, and employees of the non-remote casino industry- 15

**2.9** In addition, Gamcare and the Gordon Moody Association, which provide treatment services for those experiencing gambling-related harms, coordinated and submitted responses from 71 and 15 individual treatment service users respectively.

**2.10** During the consultation we also engaged with e-wallet providers and card payment processors. Further research on credit card gambling and the motivations for using them was conducted by 2CV and through our participation tracker survey. We published a podcast on our website to explain the proposals and encourage consumer responses.

**2.11** The details of the responses we received to the consultation questions, along with the Commission’s position in view of those responses, are provided below.

## 3 Summary of responses

- 3.1** We put forward two alternative consultation options, both aimed at protecting consumers from harm from gambling with credit cards. One option was to ban their use, the other was to introduce limits or restrictions on the use of credit cards for gambling, short of a ban.
- 3.2** We asked stakeholders whether they favoured a ban on gambling with credit cards for, separately, the online betting and gaming sectors, the lottery sector, and for non-remote betting.

### Consultation question

Q1. Do you think the Commission should introduce a prohibition on the use of credit cards for **online betting and gaming**?

### Respondents' views

- 3.3** Almost all consumers responding to the consultation who had experienced harm from credit card gambling (either as a gambler themselves or as a relative of someone who had used credit cards to fund gambling) were wholly supportive of a ban. Further, almost all of the 86 individuals who had received treatment for gambling harm from either Gamcare or the Gordon Moody Association, and whose responses were coordinated by those treatment service providers, were supportive of a ban. The reasons they gave for favouring a ban were:
- credit cards have enabled them, or their family members, to incur tens of thousands of pounds of unrepayable gambling debt due to high credit limits and a lack of friction in the credit card deposit process for online gambling;
  - the level of friction a ban would bring would have prevented them experiencing harm to such an extreme degree (ie it would have forced them to slow down an impulsive gambling activity);
  - the additional fees incurred through gambling with a credit card have led them to chase losses to an even greater extent to cover those fees, rather than the fees serving to discourage them from gambling;
  - while some credit card gamblers may use other forms of borrowing if credit cards were no longer an option, a ban would at least provide a delay in the *immediate* access to borrowed funds (ie creating friction in the gambling process);
  - their appreciation of monetary value was lost when using a credit card for gambling, exacerbating their loss of control; and
  - it can take several years to pay off the debts incurred on credit cards through gambling.
- 3.4** Most other members of the public were in favour of a ban on remote credit card gambling, for similar reasons as those outlined by individuals with lived experience of harm. A small number instead emphasised personal freedom and the individual responsibility of the gambler. They were against a ban and argued that credit card issuers themselves should limit gambling spend, or that the regulatory focus should

be on affordability more generally (including gambling transaction monitoring) rather than credit cards.

- 3.5** Several debt relief charities responded. A number supported a ban but suggested this should be part of a wider strategy and a package of measures that, in combination, would make it difficult for consumers to experience harm from *any* form of borrowed money to fund gambling. They recommended that the Commission work closely with the Financial Conduct Authority (FCA), the Money and Mental Health Policy Institute, UK Finance and gambling operators to form a coordinated approach to vulnerable gamblers.
- 3.6** One charity advised that credit card gambling can be characterised by excessive borrowing over a short period of time followed by a much longer-term period of debt repayment, meaning that the total amounts repaid for credit card gambling can be much greater than the capital amount borrowed. They noted that gambling harm often interplays with a range of other financial vulnerability issues.
- 3.7** Another suggested measures that, while falling short of a ban, would provide very high levels of friction to credit card gambling (e.g. a process whereby credit card gambling was prevented by the card issuer unless the cardholder contacted the issuer and requested that it be activated for gambling transactions. The issuer would be responsible for monitoring use of the card for gambling).
- 3.8** None of the remote gambling operators who responded supported a ban. They emphasised that such an action would penalise non-problem gamblers and would be ineffective, as those experiencing harm would simply substitute to payday loans etc. Many also stressed that a ban would mean that they lose visibility of credit cards as a key risk indicator/marker of potential harm among their customer base.
- 3.9** Financial services were against a ban stressing that it would not address the underlying causes of gambling harm and would mean that gamblers would instead switch to withdrawing cash from an ATM to fund gambling or use other forms of high-cost short-term lending. They instead suggested that banks and gambling operators should build on progress to deliver a more multi-faceted and holistic approach to gambling harms including support for customers with gambling vulnerabilities. They suggested measures such as customer-led card blocking, voluntary spend limits and training on gambling vulnerabilities for staff working in the finance sector.
- 3.10** One bank suggested that banks should use their own customers' data to identify potential risks of gambling harm and that banks should take the lead on intervening to prevent harm. They also said banks should incorporate gambling risk as part of their lending criteria to reduce the risk of lending to those who might be at higher risk of losing unaffordable sums through gambling.
- 3.11** Some electronic money institutions and pre-paid card providers were also against introducing either a ban or limits, stressing there should instead be concrete actions to reduce the risks of gambling harm from all forms of borrowing, and that gambling operators should bear responsibility rather than financial services. They were concerned that the responsibility for monitoring gambling might shift towards financial services away from operators given that operators have limited visibility of any other form of borrowing.
- 3.12** The Quakers, the only faith group to respond, supported a ban for the same reasons as those raised by gamblers with lived experience of harm.

**3.13** A handful of land-based casino employees favoured a ban being extended to all forms of non-remote and remote gambling to ensure that the risks of harm are mitigated across all forms of gambling.

### **Our position**

**3.14** We will proceed with a ban on the use of credit cards for online gambling. We stated in the [consultation](#) that we were persuaded there are risks of harm associated with using credit cards for gambling, and the consultation therefore explored *what* action should be taken to protect consumers and minimise those risks, rather than *whether* any action should be taken. We have concluded that gambling with credit cards is not reasonably consistent with the licensing objectives of the Gambling Act, and the consultation produced no compelling evidence to dissuade us from intervention.

**3.15** The data gathered from our [call for evidence](#) indicates that:

- credit cards are disproportionately used for gambling by individuals who are experiencing harm (among online gamblers who participated in our tracker survey, 22% of credit card gamblers were problem gamblers, 25% were experiencing moderate levels of harm and 20% lower levels of harm).
- Credit cards are used for online gambling in a manner that could exacerbate harm. Data indicates that individuals are generally making gambling deposits via credit card over several transactions per month, meaning that cash advance fees will exacerbate their total debt. A number of credit card gamblers advised that the cash advance fees do not deter them from using credit cards for gambling, rather that they will chase larger wins to try to recoup the costs of using such cards.
- Credit cards act as a convenient and relatively frictionless form of using borrowed money to fund online gambling.
- The cumulative debt exposure from multiple credit cards can be much more than the user can afford to repay.

**3.16** [New research undertaken by 2CV](#) during the consultation among 475 credit card gamblers also demonstrates that credit card gambling is disproportionately associated with those who may be at higher risk of harm:

- Half of credit card gamblers have a strong potential to experience harm when gambling.
- Credit card gamblers tend to demonstrate a lower awareness of the risks of gambling; however, they also tend to be highly engaged gamblers for whom credit card use to fund gambling is often embedded and habitual.
- Credit card gamblers with a higher potential to experience harm tend to deposit larger sums for gambling, and make more gambling transactions, via credit cards than those with a lower potential.
- While most credit card gamblers in the research were not fully aware of the costs of using credit cards to fund gambling (ie cash advance fees and often higher interest rates), those with a higher potential to experience harm were less likely to be deterred by such fees.

**3.17** Some operators and financial services challenged that a ban on credit cards would not address the underlying causes of harm. We agree that gambling harm is often multi-faceted as it can manifest as various different types of harm for both the individual gambler and his or her family and can manifest alongside other harms not directly related to gambling such as financial hardship caused by other circumstances. A ban on credit card gambling does not seek to address those wider complexities.



**3.18** However, we expect it to be a measure that will reduce the risks of harm to many consumers by preventing them from gambling more than they can afford to repay; or at the very least, it will add levels of friction to the process of gambling with borrowed money such that the rate of financial loss is slowed down and harm is potentially curtailed. Consultation feedback demonstrates that it is not only credit card gamblers who are exposed to these risks but their family members also.

**3.19** We are not persuaded that the loss of 'credit card use' as a variable in operators' risk detection algorithms is an adequate reason to continue to permit credit cards for online gambling. That is, given the strong association between credit card gambling and harm, it would not be appropriate to continue to permit credit cards simply to enable operators to monitor their use as a basis for possible customer interaction. We note in any case that operators have not typically included 'credit card use' as part of their harm prevention models, rather they have tended to use the 'number of payment methods' on the customer account as a marker of harm.

### **The potential impact on those not currently experiencing harm**

**3.20** The data gathered from our call for evidence, and the new research described above, is clear that not all credit card gamblers are currently experiencing harm. We know that around half of all individuals who used a UK-issued credit card for gambling in 2018 used them in only one month of the year; a third of engaged online gamblers are not currently experiencing harm, and the new 2CV research shows that half of credit card gamblers have a high or medium 'gambling literacy' score indicating a reasonable understanding of how gambling works.

**3.21** However, we expect a reduction in harm resulting from a prohibition on credit card gambling will outweigh any negative impact on those not currently experiencing harm. The Commission will be working with research agencies to evaluate the impact of the ban on gamblers, and we acquired data during the consultation about consumers' motivations for using credit cards for gambling which will be used to inform the evaluation.

**3.22** That data showed that most who use credit cards for gambling (ie use them instead of debit cards or other means) do so either for the added payment security afforded by credit cards; in order to accrue rewards offered by the card issuer; or simply because they do most of their spending on credit cards and they do not treat gambling any differently. However, it also showed that;

- while 82% of credit card gamblers were not fully aware of the fees and interest accrued through credit card gambling transactions,
- three-quarters of all lower risk credit card gamblers are likely to be deterred from using their credit cards for gambling having now been made aware of the charges they might incur.

**3.23** This indicates that the accrual of fees and potentially higher interest rates for gambling (ie cash advance) transactions may be of a greater inconvenience to the cohort of lower risk credit card gamblers than a ban on credit card gambling itself.

**3.24** 42% of lower risk credit card gamblers said they would use their debit cards instead in the event of a ban; 41% said they would stop gambling. It might be expected that many lower risk gamblers would modify their gambling spend behaviour *anyway* (ie move to debit cards or cease gambling) having been made aware of credit card charges.

**3.25** The data exploring the motivations for using credit cards for gambling is summarised in greater detail later in this document.

### **Risk of consumers substituting to other high cost forms of borrowing such as payday loans**

**3.26** Our consultation noted that, compared with those who are not currently experiencing harm from their gambling, consumers who are experiencing some level of harm make proportionately greater use of overdrafts and loans to fund online gambling. This supported the concern raised by many respondents to both the call for evidence and the consultation that some consumers may use other forms of borrowing to fund their gambling – and therefore continue to suffer harm - if they could not use credit cards.

**3.27** New 2CV research indicates that 8% of higher-risk credit card gamblers would consider using payday or unsecured loans to fund their gambling instead; 15% said they would consider credit card money transfers, 8% an overdraft. However, 50% of higher-risk credit card gamblers indicated that they would either stop gambling or would otherwise use their own available funds if they could not use credit cards to gamble.

**3.28** We expect a reduction in harm resulting from a prohibition on credit cards to outweigh any harm from a minority of customers substituting to payday loans or other forms of borrowing. It will however be important for gambling operators and financial services to continue to make progress in identifying consumers at risk of harm from using borrowed money *other than credit cards* to fund gambling, and to mitigate those risks; and more generally, to address the risks of harm from unaffordable gambling whether or not the gambling is funded by commercial borrowing.

**3.29** The data shows that most online gambling is conducted on debit cards and some consumers are already using other forms of borrowing to fund their gambling. Therefore, and notwithstanding an intervention on credit cards and the risks of consumers substituting to other forms of borrowing, there is already a need for operators to accelerate work on affordability and for banks to make progress in identifying gambling vulnerabilities and preventing harm (given that banks have direct visibility of current account transactions and other forms of commercial borrowing to fund gambling).

**3.30** The action we are taking on credit cards must therefore form part of a wider challenge to reduce harms from unaffordable gambling, requiring a holistic approach that many debt relief charities and indeed financial service providers advocated in their consultation responses.

**3.31** There is a large body of work already underway, or due to commence in 2020, concerning the role that both operators and financial services can play to reduce the risks of gambling harm to vulnerable consumers:

- The Money and Mental Health Policy Institute [recently announced](#) a programme of work being undertaken during 2020/21 which will engage financial services in tackling gambling-related harm, bringing banks and lenders together to highlight the latest evidence and share best practice.

- That programme of work, which is funded by a regulatory settlement approved by the Gambling Commission, will complement the [University of Bristol/Gamble Aware three-year strategic partnership](#) looking to explore the role financial services can play in reducing gambling harms.
- The [Behavioural Insights Team](#) is currently working with some financial services to understand how transactional data analysis can help to identify gambling harms.

**3.32** As part of [the National Strategy to reduce gambling harms](#) we will continue to collaborate with key partners across the gambling, financial, charitable and regulatory sectors to support developments that can help vulnerable customers who may be at risk of harm from gambling. The evaluation of the impact of our regulatory change on credit cards will try to assess the extent to which a reduction in harm is offset by consumers experiencing harm from substituting to other forms of borrowing, alongside an assessment of the impact of a ban on consumers not currently experiencing harm from credit card gambling. Our evaluation approach and proposed framework is outlined in more detail in section 6.

### **The role of operators in affordable gambling**

- 3.33** Gambling operators should continue to work with financial services to understand what measures can be used to better identify customers who may be gambling beyond their means. We also recently strengthened the [customer interaction elements of our LCCP](#) which now includes a requirement to take account of our [guidance to remote operators](#) and [guidance to premises-based operators](#).
- 3.34** We are clear in that guidance that remote operators should have regard to a range of harm indicators including a customer's account-level payment behaviour which could indicate they are struggling to fund their gambling (e.g. failed deposits, or the use of multiple payment methods such as debit cards, pre-paid cards and e-wallets to fund an account, may suggest that the customer's gambling is not consistent with what they can afford to spend). We expect both remote and non-remote operators, as part of their customer interaction and 'know your customer' procedures, to consider factors that might indicate that a customer is spending more money on gambling than they can afford.
- 3.35** In meeting our requirements on customer interaction, we would expect operators to take particular account of customers who, for example, are (or appear to be) borrowing money for the purpose of gambling, or who are only able to fund their gambling with borrowed money. If necessary, we will augment our customer interaction guidance with specific reference to the use of borrowed funds. The use of credit is however only one indicator that gambling may be unaffordable. Customers can experience harms from gambling beyond their means without having recourse to borrowing.

## Consultation question

Q2. Do you agree that remote lotteries (society lotteries and external lottery managers (ELMs)) should also be subject to a ban on credit card payments for participating in lotteries?

### Respondents' views

- 3.36** All of the society lottery operators who responded were against a ban on credit cards for lottery payments, although most supported a ban on credit card use for betting and gaming. They argued that lotteries are less frequent events than for casino gaming, for example, and therefore that the potential rate of monetary loss to consumers is very low.
- 3.37** Society lotteries pointed out that approximately 3% of transactions to buy lottery tickets come from credit cards. Some argued that subscription lotteries (where payment is made monthly or annually for advance participation in lotteries) and low frequency lotteries (eg weekly draws) should not be subject to regulatory intervention as they are lower risk in terms of gambling-related harm. The Lotteries Council and the Hospice Lotteries Association stressed there should be no intervention at all for lotteries as problem gambling among the sector is low.
- 3.38** Around half of all respondents were in favour of banning the use of credit cards for remote lotteries alongside a ban for remote betting and gaming. This group was mainly comprised of individuals who had experienced harm from credit card gambling, members of the public and treatment providers for gambling harm. Many were of the view that lotteries are still a form of gambling where the odds of winning are long, and that allowing any form of gambling on credit will be unhelpful in minimising harm. Some argued that problem gamblers who can only afford to gamble with borrowed money could move to lotteries if credit card payments were still allowed for these products, particularly as there are many societies offering lotteries across which someone could spend large amounts of borrowed money.
- 3.39** A number of non-remote betting operators and casino employees also argued that a ban on credit cards should be universally applied to all forms of gambling, including remote lotteries, for consistency as a harm minimisation approach. While most remote betting and gaming operators were against a ban of any kind, they argued that there should be a level playing for any regulatory intervention that is brought in, meaning that whatever regulatory measure is applied to betting and gaming in respect of credit cards should also apply to lotteries.

### Our position

- 3.40** We acknowledge the consultation responses from the lotteries sector which argue that subscription and lower frequency lotteries do not necessarily lend themselves to the same potential rates of loss as other forms of gambling, due to the requirement to pay in advance to enter lotteries for a number of consecutive weeks, and that lottery events are often no more frequent than weekly draws. We note that only a handful of societies currently offer online scratchcards or high frequency draws.

- 3.41** However, we remain of the view that it would be anomalous to omit remote lotteries from a ban, given the risks posed by gambling with credit cards. Our key concern is that gambling with a credit card can facilitate high levels of gambling debt, which could be cumulative gambling debt across a number of operators and types of gambling.
- 3.42** We note from our tracker data and new 2CV data that those who use credit cards for online gambling tend to be highly engaged gamblers who gamble on several online gambling activities in a four-week period, and that while online betting and gaming are the most prevalent forms of gambling activity among credit card gamblers, such gamblers are more likely to participate in a full range of opportunities including online gambling, gaming machines and online lottery participation.
- 3.43** Therefore, while society lotteries are generally associated with lower incidences of harmful gambling, and many lottery opportunities might ostensibly present a lower risk due to the infrequency of events, those individuals who are at risk of harm from credit card gambling may be using their cards across multiple gambling platforms - and accruing more debt than they can afford to repay - across a range of operators and products including lotteries.
- 3.44** We understand that some banks do not treat the online purchase of society lottery tickets as a “gambling transaction” (ie the society is not treated as a gambling merchant by the acquiring bank when a customer buys a lottery ticket through that website), meaning that cash advance fees are not charged to a customer if they buy lottery tickets with a credit card. Conversely, other banks do choose to treat societies as gambling merchants for the purposes of online lottery ticket purchases, and the customer buying tickets with a credit card is therefore charged fees. We note above that the charging of credit card fees for gambling transactions can exacerbate consumers’ total gambling debts.
- 3.45** We should confirm however that the Commission has no input into how acquiring banks assign a category code to a merchant, or how card networks such as VISA and Mastercard choose to define “gambling”.

### Consultation question

Q3. Do you think a ban should be extended to non-remote lotteries (where payment for participation in a lottery is made in premises or by post, for example)?

### Respondents’ views

- 3.46** Respondents from the lotteries sector were also against the Commission introducing any measure that would ban or limit the purchase of lottery tickets by credit card by non-remote means (ie including the sale of tickets by post, face-to-face or sold via retail premises). In addition to the arguments outlined above, some lotteries also argued that lottery tickets can sometimes be purchased in shops and it would be very difficult to administer a system whereby the retailer had to refuse to accept payment by credit card for lottery tickets while at the same time continue to permit credit card payments for all non-gambling products that the premises also sells.

**3.47** As with the responses to the question on remote lottery payments, around half of all respondents were in favour of banning the use of credit cards for non-remote lotteries too, on the basis that allowing any form of gambling on credit will be unhelpful in minimising harm.

### Our position

**3.48** We accept that any intervention on *non-remote* lottery participation by credit card would be problematic in practice. Society lottery tickets and scratchcards can be purchased, for example, from a shop run by the same charity as that promoting the lottery and can also be made available from other retail premises not linked to the charity, such as supermarkets or newsagents (ie similar to how National Lottery tickets can be purchased from retail outlets). In those circumstances, consumers are likely to be purchasing non-gambling products from the charity shop, or buying groceries etc. from the supermarket, alongside any lottery ticket or scratchcard.

**3.49** It would therefore be very difficult to expect those retailers to prevent the purchase of lottery tickets by credit card when consumers must also be allowed to purchase non-gambling products by credit card. The retailer may not always be able to easily identify whether a customer's card is debit or credit, and of course any card terminals on the premises would have to be configured to accept both credit and debit cards given that most merchandise on the premises will be non-gambling. We therefore do not intend to extend the ban on credit card gambling to the purchase of lottery tickets by non-remote means.

**3.50** Non-remote lottery operators (and external lottery managers) are however reminded of the existing social responsibility code provision 3.4.2. which requires, among other things, those licensees to set an upper limit on the value of lottery tickets which may be sold to a person, whether as part of a single transaction or over a period of time, without customer interaction.

### Consultation question

Q4. Do you agree that the Commission should introduce a prohibition on the acceptance of credit cards by **non-remote betting operators alongside** a prohibition of credit cards for online gambling?

### Respondents' views

**3.51** We received responses from 13 bookmakers who operate either from high street premises or from licensed track premises (on course). Most were in favour of a ban on credit cards for non-remote betting, and for all forms of gambling, as a measure to reduce risks of gambling-related harm. Those favouring a ban were mainly smaller independent operators, although two were larger regional operators. The Federation of Racecourse Bookmakers (FRB) also supported a ban.

**3.52** One bookmaker favoured the introduction of limits instead of a ban and one was against any regulatory intervention, emphasizing that all responsibility should rest with the credit card user. The Racecourse Promoters Association was also against

any intervention on credit cards, stressing that a holistic approach to affordability was needed rather than an approach focussed on one payment instrument, and that responsibility should rest with the lender not the gambling operator.

- 3.53** It was noted that two major high street bookmakers said they already do not accept credit cards in their retail outlets.
- 3.54** Most consumers and members of the public favoured a ban for non-remote betting alongside a ban on remote gambling, to ensure that individuals at risk of harm could not simply move to betting shops or tracks to gamble by credit card.

### **Our position**

- 3.55** As with remote lotteries, we remain of the view that it would be anomalous to continue to permit non-remote betting operators to accept payment by credit card into customer accounts (as is currently permitted by social responsibility code provision 3.7.1), given the risks posed. We note the support for this measure from several bookmakers who responded to the consultation.
- 3.56** We therefore intend to introduce a ban on the use of credit cards for all non-remote betting. The ban would therefore apply to non-remote general betting operators (this would cover general betting (standard) operators who trade from betting premises and general betting (limited) operators who trade from licensed track premises eg for horse and greyhound racing), pool betting and betting intermediary operators.

### **Consultation question**

- Q5. Do you agree with the wording of the proposed new licence condition 6.1.2 to prohibit gambling online with credit cards (whether the credit card payment is made directly with the operator or through a money service business eg a digital or e-wallet)?

### **Respondents' views**

- 3.57** Almost all respondents who agreed with introducing a ban for remote gambling were satisfied with the wording of the draft licence condition. There were no comments disagreeing with the wording save for one operator who suggested that the reference to payments by credit card "through a money service business" should be changed to payment made "by other reasonably identifiable means".

### **Our position**

- 3.58** We intend to proceed with introducing the new licence condition 6.1.2 as drafted in the consultation. We will however clarify that certain remote ancillary licences are to be included within the scope of the condition, namely betting and society lottery ancillary licences.

**3.59** Betting ancillary licences allow holders of non-remote betting licences to accept bets by means of a telephone or email in certain circumstances. The society lottery ancillary licence allows holders of non-remote society lottery licences to accept payment by remote means up to certain financial thresholds. As these licences permit participation in gambling, and the acceptance of payment, by remote means, it is essential that they are included in the condition to ensure that all forms of remote gambling are included within the scope of the credit card ban.

**3.60** Remote ancillary licences are only available to holders of non-remote licences. We consulted on applying any regulatory intervention to all forms of remote gambling (ancillary licences are a type of remote licence), to society lottery and non-remote betting operators. As such, any holder of a betting or lottery ancillary licence will have had the opportunity to respond to the consultation.

### **E-wallets**

**3.61** We would remind operators of our position as outlined in the consultation. The condition will impose a responsibility on operators to only accept payments via e-wallets in circumstances where the wallet provider can assure the operator that they can prevent payment for gambling by credit card.

### **Final wording of new licence condition 6.1.2**

#### **Addition of new licence condition 6.1.2 - use of credit cards**

**All non-remote general betting, pool betting and betting intermediary licences, and all remote licences (including ancillary remote betting and ancillary remote lottery licences) except gaming machine technical, gambling software and host licences.**

**1** Licensees must not accept payment for gambling by credit card. This includes payments to the licensee made by credit card through a money service business.

**3.62** We proposed in the consultation to remove social responsibility code provision 3.7.1 from LCCP in the event that a ban on credit card gambling was introduced through the new licence condition 6.1.2. This was because, as licensees would no longer have the option of accepting credit cards, code provision 3.7.1 would be redundant and replaced by the new condition 6.1.2. We will therefore remove this code provision as proposed in the consultation.

#### **Removal of existing social responsibility code provision 3.7.1**

##### **Credit cards**

**All non-remote general betting licences (except where betting is offered under a 2005 Act casino premises licence), pool betting and betting intermediary and all remote licences, except gaming machine technical, gambling software, host, ancillary remote casino, ancillary remote bingo and remote betting intermediary (trading rooms only) licences**

**1** Licensees who choose to accept credit cards must:  
**a** accept payment by credit card for gambling only where that payment is made to a customer account  
**b** make available for gambling, funds deposited via credit card only after the card issuer has approved the transaction.



## Consultation question

Q6. Do you agree that the Commission should introduce **limits, restrictions and control measures** on the use of credit cards for online gambling *instead* of a prohibition on credit cards?

### Respondents' views

- 3.63** The RGA and several remote betting and gaming operators were broadly supportive of the concept of introducing limits and restrictions instead of a ban, and supportive of some of the specific measures suggested in the consultation. However, individual submissions from the largest remote operators indicated disagreement among them about the principle of introducing limits, the potential effectiveness of key suggested measures, and the feasibility of delivering them. They emphasized that high development costs and long lead-in times of 6-12 months would be required to put limits into effect.
- 3.64** E-wallet providers also noted that there would be significant technical and development costs associated with delivering a solution to support limits instead of a ban, with lead-in times for development of around 9-12 months being necessary.
- 3.65** Several consumers who have experienced harm from credit card gambling, and members of the public, commented on the concept of limits and controls instead of ban. They were generally of the view that such an approach would be unworkable, as they thought that controls could be too easily circumvented (eg if a limit is reached with one operator, the consumer could go to another operator and deposit via credit card with them instead). Some consumers also did not trust operators to deliver limits and controls effectively enough to limit harm.

## Consultation question

Q7. Do you agree that **non-remote betting operators** should be included within the code (introducing limits and restrictions instead of a ban) so that they would also have to provide the same measures as remote gambling operators?

### Respondents' views

- 3.66** Most non-remote betting operators who responded to the consultation were supportive of an outright ban on credit cards for all forms of betting. A couple of respondents from this sector were against any kind of regulatory intervention and only one was supportive of the concept of limits and restrictions instead of a ban.
- 3.67** As noted above, consumers and members of the public were generally against the concept of limits and restrictions for any sector of the gambling industry and instead preferred a ban on credit card gambling.

## Consultation question

Q8. Do you agree that **lottery operators** should be included within the code (introducing limits and restrictions instead of a ban) so that they would also have to provide the same measures as other remote gambling operators?

### Respondents' views

**3.68** Among lottery operators and representatives of the lotteries sector who responded to the consultation, most were in favour of a ban on credit card gambling for remote betting and gaming, but none supported a ban on credit card use for lottery participation. Most were against any kind of intervention in the lotteries sector, and only a couple of lottery operators supported the idea of measures to limit credit card payments for lotteries.

## Consultation question

Q9. Do you agree with the wording of the proposed new social responsibility code provision 3.7.3 that would require operators to minimize the risks of harm from gambling with credit cards?

Q10. Do you agree that the suggestions for specific control measures should be introduced as part of an ordinary code provision 3.7.4 rather than a social responsibility code provision?

Q11. Do you agree with the wording of the proposed ordinary code provision 3.7.4?

Q12. Are there any particular control measures you think should be *mandated* by the Commission so that gambling operators are *required* to deliver them?

### Respondents' views

**3.69** Around a dozen remote operators and the RGA provided commentary on each of the specific control measures suggested in the draft ordinary code provision 3.7.4. Most remote operators were however against controls that would introduce the most friction into the credit card gambling journey (e.g. delays between deposits and setting limits on credit card deposits). Reasons for their opposition included that such measures would inconvenience too many customers and/or would be too technologically complex to deliver. Please see below a broad summary of the remote operators' responses in respect of each individual control measure suggested in the consultation.

<b>Suggested measure in draft ordinary code provision</b>	<b>Summary of responses from remote operators</b>
Limiting customers to one active credit card on their account at a time.	Most remote operators, both large and small businesses, supported this measure.
Providing a delay between the addition of a new credit card to the account and allowing the first deposit to become available for gambling.	Most operators were against the concept.

Providing a delay period before every credit card deposit becomes available for use.	There was universal opposition to this idea.
Customer-led limit setting on credit card use, with the operator required to prevent any further credit card deposits when a limit is reached.	Only a couple of respondents supported this, others were against the concept.
Effectively banning the use of sub-prime (credit-builder) credit cards which are generally held by those with a poor credit history.	A number of remote operators were broadly supportive of this concept, but a couple emphasised that they would treat sub-prime cards as higher-risk indicators rather than prevent their use.
Advising customers to check their credit card terms and conditions.	Most operators supported this.
Allowing the customer to block credit cards on their account if they so choose.	Around half of remote operators supported this.
Providing reality checks to customers on their credit card spend.	Limited support.
Preventing credit card use for any new customer until the operator had monitored their spend behaviour to assess harm.	There was almost universal opposition to this idea.

**3.70** Some financial service providers were of the view that the limits suggested in the consultation would be ineffective, as neither a ban nor the suggested limits would address the risks from using other forms of borrowing for gambling.

### **Our position**

**3.71** We consulted on the introduction of a social responsibility code provision which would have established an expected outcome that operators minimise the risk of harm from credit card gambling. We also consulted on the introduction of an ordinary code provision which would have provided a number of means by which operators could achieve that outcome.

**3.72** We note the various concerns raised by several operators and consumers about the principle of introducing limits instead of a ban, and also the potential effectiveness of each measure suggested in the draft ordinary code. While consumers and members of the public were supportive of a ban on credit card gambling, there was very little support among them for limits and controls short of a ban. Equally, the concerns raised by operators and e-wallets give cause for concern as to the length of time it may take to introduce individual measures that, in isolation, may then have limited effectiveness on reducing gambling-related harm unless combined with other measures to maximise friction in the gambling process.

**3.73** We are therefore persuaded that limits and controls as suggested in the consultation are likely to have much less of an impact on gambling-related harm than an outright ban on credit card gambling, and we do not intend to pursue this option further.

## Consultation question

- Q13. Do you agree that any new requirements or provisions introduced should also apply to credit card transactions conducted through e-wallets?
- Q14. Do e-wallets have the technical capacity to identify and prevent credit card transactions for gambling?
- Q15. In the event of controls and limits being introduced instead of a prohibition, are operators able to apply such controls to credit card transactions made through e-wallets?
- Q16. If operators are not currently able to apply such controls to credit card transactions made through e-wallets, what changes to e-wallets would be required to allow operators to continue to accept payments through e-wallets?

## Respondents' views

- 3.74** The three largest e-wallet providers operating in the gambling market all advised that they can build a solution to support a ban on credit card deposits for gambling made through their wallet facilities. They noted however that there would be significant technical and development costs associated with delivering a solution to support limits instead of a ban.
- 3.75** The Electronic Money Association responded on behalf of most e-wallet providers including smaller challenger businesses. They indicated that solutions to support a ban are generally available to their members, but each member would need to take a view as to whether they would develop a solution to prevent credit card payments for gambling or instead withdraw from the gambling market. They also cautioned that long lead-in times would be necessary to deliver limits and controls short of a ban.
- 3.76** Those who supported a ban argued that it would be essential for a ban on credit cards to be supported by e-wallets, to ensure that the regulatory intervention could not be easily circumvented by simply using credit cards through e-wallets instead of directly through operators.

## Our position

- 3.77** We understand that one of the simplest means of preventing credit card payments is for operators (or their payment processors or acquirers) and e-wallet providers to identify credit cards via a card's Issuer Identification Number (the IIN, the first 6 to 9 digits of the number across the front of a card which allows the merchant or acquirer to identify whether a card is credit, debit or pre-paid, and to identify the issuing bank). The processor or acquirer, on the operator's (merchant's) request, could then ensure that any card identified as a credit card is prevented from moving through the payment gateway. Some operators may be able to put this system into effect at their end of the payment gateway without the need to ask their acquirer. We understand that e-wallet providers are also capable of identifying cards by their IIN.

- 3.78** The proposed licence condition would prevent gambling operators from accepting payments by credit card either directly or through a money service business such as an e-wallet. We explained in the consultation this would mean that operators would not be able to accept *any* payment through an e-wallet *unless* the e-wallet provider could demonstrably prevent the use of credit cards for online gambling through their wallets.
- 3.79** Where the e-wallet provider allows funds to be transferred from a card into a 'stored value' held within the wallet, the provider may need to have separate 'pots' of stored value to meet a prohibition on credit card gambling e.g. one pot for payments that the consumer declares will be for gambling and one pot for non-gambling payments; or, one pot for funds that are derived from credit cards and a separate pot for funds derived from any other non-credit payment instrument. In the former example, the e-wallet provider would need to prevent the gambling-bound pot being funded by credit cards (e.g. as identified by the IIN) and prevent the non-gambling pot (which could be funded by credit card) being used for payments to any gambling operator (identified by the '7995' merchant category code for gambling).

### **Pre-paid cards**

- 3.80** In view of some responses, we should clarify that pre-paid cards will not form part of the scope of the ban on gambling with credit cards, insofar as the ban will not extend to pre-paid cards as a payment instrument distinct from credit and debit cards.
- 3.81** We understand that a pre-paid card could in some circumstances be loaded via funds obtained from a credit card. However, the Commission's key intention in banning gambling with credit cards is to maximise the levels of friction during the process of accessing and using borrowed funds for gambling, in order to reduce the risk of consumers experiencing harm from gambling with borrowed money.
- 3.82** We do not expect a ban to prevent the use of credit cards for gambling by *wholly indirect* means – for example, we acknowledged in the consultation that individuals intent on obtaining gambling funds from their credit cards could use those cards to withdraw money from a cashpoint. They might also try to load funds onto a pre-paid card via a credit card transfer or indeed through money withdrawn from a cashpoint via credit card.
- 3.83** However, it is important to note that such methods involve much greater levels of friction in the gambling transaction journey than simply using a credit card through either the gambling operator's website or through an e-wallet that the operator makes available through their payment gateway.
- 3.84** We may consider further intervention if we become aware of any solutions in the payments market that enable relatively easy and frictionless means for consumers to use credit for gambling. We ask consumers and financial support charities to make us aware of concerns or issues they identify with any emerging payment method for gambling.

## Consultation question

- Q.17 How long a lead-in time would you need to give effect to a prohibition on credit cards for gambling, i.e. so that your systems could prevent any transactions by credit card?
- Q.18 How long a lead-in time would you need to deliver controls measures and restrictions on the use of credit cards such as those described in the draft Ordinary Code provision 3.7.4 (i.e. instead of a prohibition)?
- Q.19 Are you able to provide an estimate of the costs that might be incurred by your business through implementing a prohibition on gambling with credit cards?
- Q.20 Are you able to provide an estimate of the costs that might be incurred by your business through implementing facilities to control and limit gambling with credit cards (i.e. instead of a prohibition)?

## Respondents' views

- 3.85** The larger remote betting and gaming operators provided divergent estimates as to the time they would need to prevent credit card payments. Estimates ranged from 3 to 12 months, although most larger operators typically indicated that about 6 months would be needed to meet a ban on credit card gambling, including the time needed for: technical development to prevent both new and existing customers from using credit cards; staff training and business preparation; updating the customer payment journey; and notifying customers of the change. One large remote operator indicated they would need only three months to deliver all such requirements. We understand that the major e-wallet providers would be able to deliver solutions in a relatively short space of time, although smaller challenger wallet providers may need several months.
- 3.86** Estimates of the time needed to deliver limits and controls instead of a ban ranged from 6 to 18 months. E-wallets were of the view that 9 to 18 months would be needed to deliver necessary solutions, depending on the extent to which certain responsibilities fell either with the operator or the wallet provider. Operators warned that other safer gambling work they were developing would need to be put on hold to deliver limits, given such timeframes.
- 3.87** There were also significant differences in the estimates of costs that would be incurred in putting a ban or limits into effect. A number of operators said it would be too difficult to give a valid estimate at this stage, but those who provided figures estimated between £6,000 and £500,000 in costs would be incurred to implement changes needed for a prohibition of credit card gambling (noting that these figures exclude any projected revenue loss from a credit card ban). Estimates as to the costs of delivering limits instead of a ban ranged from £215,000 to £700,000.

## Our position

- 3.88** We spoke to payment processors and the handful of online operators who have voluntarily chosen to prevent their customers from making deposits by credit card. We understand that, in the main, the systemic changes needed to prevent transactions by credit card are relatively straightforward to deliver. While solutions may of course differ between different payment processors and acquirers, we note that some businesses have only needed a matter of days to deactivate the acceptance of credit cards as a payment method.

- 3.89** Although there is likely to be high levels of demand placed by a large volume of gambling operators on a relatively small number of payment processors and acquirers to deliver a solution, we expect a notification period of **3 months** to be sufficient for businesses to deliver technical and systemic changes to prevent gambling by credit card.
- 3.90** We anticipate that the major e-wallet providers in the gambling market will also have solutions available to deliver within this timeframe. Smaller e-wallet providers indicated that solutions to support a ban are generally available to them, but each would need to take a view as to whether they would develop a solution to prevent credit card payments for gambling or instead withdraw from the gambling market.
- 3.91** Operators will be responsible for only accepting payments through e-wallets where the operator can be satisfied that the payment has not originated from a credit card. We therefore urge operators to make contact with their third-party wallet providers whose payment facilities are made available through the operator's website or app, to ensure they understand how the wallet provider intends to proceed.
- 3.92** We note a point raised by e-wallet providers that the Payment Services Regulations require them to give a minimum of two months' notice to their customers of changes to terms and conditions. We therefore consider that a three-month lead-in period will be sufficient to accommodate this.

## 4 The role of financial services in reducing harms from gambling with borrowed money - summary of responses

- 4.1 In the consultation we explained that it is much harder for us to regulate the use of loans and overdrafts to fund gambling because operators have very little visibility of whether such forms of borrowing are funding gambling deposits.
- 4.2 We therefore think it is essential for **financial services to take the lead in this area**, and where possible **work with gambling operators to develop tools and approaches** that can help to mitigate the risks of harm from forms of borrowing that gambling operators have limited visibility of.
- 4.3 We also outlined that one of the areas of focus in our National Strategy to Reduce Gambling Harms is to support collaboration among businesses and organisations in their efforts to reduce harms, and we specifically reference our support for developments in the financial sector in this regard.
- 4.4 We want financial services to consider what more can be done specifically to **identity their customers who use lending products to fund gambling** and to **reduce the risks of them experiencing harm**. We outlined in chapter 3 some of the programmes of work being undertaken, or due to commence, and we strongly encourage financial services to engage with the Money and Mental Health Policy Institute’s programme of work to share good practice and deliver means of reducing harm.
- 4.5 We asked consultation respondents to provide their thoughts on what measures financial services could take to identify customers using borrowed funds for gambling and to mitigate harm, and also for views on the information banks and lenders might be able to share with gambling operators. We received responses from many gambling consumers, members of the public, gambling operators, and some financial services also made welcome contributions to these questions. The responses are summarised below.

### Consultation question

- Q.21 What measures can financial services such as banks and lenders take to identify their customers who are using borrowed funds for gambling and mitigate the risks of harm to those customers?
- Q.22 What information can financial services share with gambling operators to enable operators to be better equipped to mitigate the risks of harm from borrowed money?

### Respondents’ views

- 4.6 Most respondents supported the principle that financial service providers should do more to help reduce the risk of customers suffering financial harm from gambling. Some also suggested that gambling operators could work more collaboratively with financial service providers. A summary of the suggestions and viewpoints raised by respondents is provided below.



**4.7** Respondents suggested that **banks** should do the following:

- **Monitor** the gambling activity of customers who have **payday loans present in their current account** and be prepared to contact the customer to explore ways of reducing the risk of them being harmed.
- **Monitor** the amount being spent by all customers on gambling, including the volume and frequency of their gambling transactions (taking account of the levels of borrowed funds in their current account, the rate of repayment of those funds, and the amount of their income such as regular salary) to ensure **gambling expenditure remains affordable** for that customer. There were similar specific suggestions that banks should monitor;
  - the percentage of a customer's disposable income used for gambling
  - the appearance of loan funds into a current account and the subsequent presence of gambling transactions.
- Monitor the **time of day** when transactions occur (late at night being a higher risk indicator).
- Provide information to their customers to **highlight their gambling expenditure**, particularly where there gambling leads to use of an overdraft.
- Interact with those customers if necessary and signpost where help can be found.
- Prevent further gambling transactions where the bank has reasonable concerns that the levels of gambling will lead to financial harm.
- Proactively reduce overdraft limits if the customer is **persistently in their overdraft due to gambling**.
- Take account of a customer's gambling debts when considering any new **application for a loan or overdraft extension**.
- Promote **voluntary card blocking facilities** (with cooling off periods to prevent the block being easily disabled) so that these facilities become universally available.
- Share learning amongst each other e.g. examples of how banks have identified and assisted vulnerable customers with gambling debt.

**4.8** Respondents suggested that **operators** should:

- Make use of any available data from credit reference agencies to assess affordability (but only where credit file checks made would be soft rather than hard).
- Work with banks to explore how to improve the identification of customers with gambling vulnerability.

**4.9** Respondents suggested that **the Commission** should:

- Work with the FCA, UK Finance and Money and Mental Health Policy Institute to coordinate expectations of financial services e.g. consider how gambling harms

specifically can be considered as part of the new FCA rules on persistent debt and the emerging FCA rules on the fair treatment of vulnerable customers.

- 4.10** It was also suggested that payday lenders and credit reference agencies should specifically be brought into the dialogue by the Commission and FCA.

### **Our position**

**4.11** As explained above, most online gambling is conducted on debit cards and many consumers use forms of borrowing *other than credit cards* to fund their gambling. Our action on credit cards must therefore form part of a wider approach to prevent harms from unaffordable gambling. This means, for example, that gambling operators and financial services should continue to make progress on preventing harm to consumers who use *other forms of borrowing* to fund their gambling. However, the use of credit is only one indicator that gambling may be unaffordable - a customer can experience harm by gambling beyond their means without any recourse to borrowing. Operators and financial services should therefore also take account of a customer's gambling spend in the context of their overall income and expenditure.

**4.12** As part of [the National Strategy](#) we will continue to collaborate with key partners across the gambling, financial, charitable and regulatory sectors to support developments that can help vulnerable customers who may be at risk of harm from gambling. There is a large body of work already underway, or due to commence in 2020, concerning the role that both operators and financial services can play to reduce the risks of gambling harm to vulnerable consumers:

- The Money and Mental Health Policy Institute [recently announced](#) a programme of work being undertaken during 2020/21 which will engage financial services in tackling gambling-related harm, bringing banks and lenders together to highlight the latest evidence and share best practice.
- That programme of work, which is funded by a regulatory settlement approved by the Gambling Commission, will complement the [University of Bristol/Gamble Aware three-year strategic partnership](#) looking to explore the role financial services can play in reducing gambling harms.
- The [Behavioural Insights Team](#) is currently working with some financial services to understand how transactional data analysis can help to identify gambling harms.

**4.13** The suggestions made by consultation respondents and summarised above could be extremely helpful measures to identify and reduce the risks of harms from unaffordable gambling. The suggestions are not mutually exclusive, and several combinations of these ideas could be explored. Financial services should consider these measures as the programmes of work under the National Strategy move forward.

## 5 Motivations for using credit cards to fund gambling

- 5.1** In the consultation we said that it will be important to understand the reasons why consumers choose to use credit cards for gambling (ie as opposed to debit cards or other means of payment), in spite of the fees and charges which apply to credit card gambling. This information will help us to evaluate the impact of any regulatory change on consumers' behaviours and attitudes, and whether their motivations alter.
- 5.2** The call for evidence gathered little evidence about the motivations among consumers for using credit cards for gambling, or the benefits of using them. We said we would obtain more information as part of the consultation.
- 5.3** We asked specific consultation questions on these subjects to which a number of consumers responded. In order to maximise the available data, we asked 2CV to explore these questions and they received responses from 475 credit card gamblers. We also received responses from around 75 credit card gamblers as part of our quarterly participation tracker exercise in September.
- 5.4** Gamcare and Gordon Moody, which provide treatment services for those experiencing gambling-related harms, coordinated and submitted responses from individuals who had accessed their treatment services and several of them provided information on their motivations for using credit cards. We also received some data in this area through Survey Monkey from individuals who had listened to our [podcast](#) on credit card gambling.

### Consultation question

Q.23 Why do you choose to use credit cards for gambling?

- 5.5** The full summary of the 2CV research can be accessed [here](#). The reasons given by 2CV research participants for choosing to gamble with credit cards are summarised below. Note that participants could respond with multiple answers but were asked to choose from the options shown on the left side of the table.

Motivations for using credit card for gambling	Percentage of responses among 475 credit card gamblers
It's the card I signed up with	25%
For added protection or payment security	25%
I do all or most of my spending on credit cards	22%
I earn benefits (eg rewards offered by the card issuer such as cashback or Air Miles)	22%
I didn't have cash or a debit card with me	19%
So that my gambling doesn't appear on a bank statement	14%
I didn't have the money available	12%
Another reason	4%

- 5.6** 2CV noted that just over half of participants therefore claimed to use credit cards for gambling either for ‘positive’ reasons (ie payment security or to obtain rewards from the card issuer) or simply out of habit (ie they conduct all spending on credit cards and gambling is no different). A quarter of credit card gamblers in the 2CV work demonstrated ‘problematic’ reasons for using credit cards (ie to hide gambling from their partner or because they have no funds available). Note that approximately half of credit card gamblers who participated in that research had a low ‘gambling literacy’ score (meaning they are more likely to hold misconceptions about gambling or endorse riskier attitudes towards gambling), which 2CV noted is indicative of a stronger potential to experience gambling harm.
- 5.7** Our gambling participation tracker survey includes some consumers who are highly engaged in online gambling, and we would expect a higher rate of gambling harm among such participants than compared to the general population. Around 75 individuals responded to our question asking why they choose to use credit cards for gambling. In contrast to the 2CV research, responses were more balanced between ‘problematic’ and non-problematic motivations for using credit cards. Note that tracker participants responded with free text rather than pre-defined options, and the responses below have been grouped based on broad theme.

<b>Motivations for using credit card for gambling</b>	<b>Number of responses among 75 credit card gamblers</b>
When no funds are available to them other than through their credit card eg there are insufficient funds available in their bank account	27
Credit cards are simply considered to be a convenient and easy way to pay	24
They use credit cards as a budgeting tool eg they do all of their spending on cards as a means of monitoring their own expenditure	9
As a means of chasing gambling losses	5
Security (fraud or insolvency protection)	2
Accrual of rewards through a scheme provided by the credit card issuer	2
The operator only accepted credit cards	2
They used to use credit cards to fund gambling, but they have now moved all of their non-gambling leisure spending to credit cards (so that they can instead afford to gamble with their debit cards) – implies they do not have enough funds to gamble <i>and</i> pay for essentials without recourse to credit.	2
So that their partner does not find out about their gambling	1
To help to build their credit rating	1

**5.8** 49 Gamcare and Gordon Moody treatment users responded as follows (given that these respondents have accessed treatment services for gambling harm, a skew towards more 'problematic' reasons for using credit cards is expected). These responses were also based on free text.

<b>Motivations for using credit card for gambling</b>	<b>Number of responses among 49 who chose to respond</b>
No funding was available from any other source	22
To chase gambling losses	9
Use of a credit card did not feel like real money (a dissociation from the fact that the debt needs to be repaid)	5
Convenience or ease of use	5
To hide gambling from partner	4
To accrue rewards	2
For security and fraud protection	1
Credit cards make large sums available for use and create a temptation to use them for gambling	1

**5.9** A handful of individuals who listened to our podcast explained why they choose to use credit cards to fund their gambling. Their responses were equally mixed among the categories outlined above, with some saying they use credit cards as a way of chasing losses and when no other sources of funds are available, while others said they use credit cards because of the card rewards scheme, for payment security or for budgeting and convenience.

**5.10** Most consultation respondents who had lived experience of harm from credit card gambling answered this question. Their responses typically explained that credit cards were their only source of funds to continue gambling once they had exhausted other funds, or that they used credit cards in combination with other forms of borrowing in order to fund gambling. Some advised that credit cards had enabled them to hide their gambling from their partner, or that large credit limits enabled them to chase losses. Other respondents advised that they use credit cards to enable them to manage their expenditure, or for payment security.

### Consultation question

**Q.24** Are you aware of the fees and rates of interest applied by card issuers when a credit card is used for a gambling transaction?

**5.11** 2CV asked their research participants whether they were aware that gambling transactions on a credit card are invariably treated by credit card issuers as cash advances (meaning that fees are incurred for every gambling transaction); and/or whether they were aware that such transactions may incur higher rates of interest than credit card purchases, and that the transaction may incur interest from that the date it is made rather than be subject to a grace period.

**5.12** The responses showed that:

- 82% of 475 credit card gamblers were *not fully* aware of the financial implications of using credit cards for gambling. Among this cohort:
  - 31% were unaware of *either* the cash advance fees or higher interest rates
  - 38% were aware of transaction fees but not that interest rates may be higher
  - 14% were aware of potentially higher interest rates but not cash advance fees
- 17% were aware of both, however.

**5.13** Conversely, almost all consumers who responded to this consultation question, including those with lived experience of harm from credit card gambling, said that they were aware of the fees and interest applied by card issuers to credit card gambling transactions.

### Consultation question

Q.25 Do these charges deter you from using credit cards for gambling?

**5.14** 61% of all credit card gamblers participating in the 2CV research said they would be deterred from using credit cards for gambling having been made aware of the associated costs of doing so. Among this cohort:

- 76% of credit card gamblers with higher gambling literacy scores said they would now reconsider their use of credit cards for gambling, and;
- 58% of credit card gamblers with lower literacy scores said they would be deterred.

**5.15** 13% of ‘higher literacy’ credit card gamblers said that the knowledge of fees and interest would *not* act as a deterrent to their using them. However, among those with lower literacy scores, 30% said they would not be deterred.

**5.16** Consumers with lived experience of harm advised that the fees and interest never act as a deterrent, despite their being aware of such costs. They advised that they either sought to recoup those costs as part of chasing their overall losses through gambling, or that the associated costs were extremely small compared to the losses they were already incurring. Some who were not at risk of harm said they would never use a credit card for gambling again, having accrued fees without prior knowledge of those charges.

### Our position

**5.17** We have partnered with a research organisation to commission an independent evaluation of the ban on credit cards (see section 6 below for further details). This evaluation will include an assessment of the impact of the ban on individuals’ gambling behaviour. The data obtained on motivations and attitudes will therefore be helpful to inform that evaluation.

**5.18** We note that many research participants and respondents advised that they use credit cards for gambling in order to provide them with payment security, because the card issuer offers rewards for credit card use, or simply because they use their credit card as a budgeting tool. We acknowledge of course that individuals who use their credit cards for gambling for these reasons are likely to be at a lower risk of harm than those who use their credit cards because they have no alternative, to chase losses or to hide gambling from their partners.

- 5.19** In pursuing a ban on gambling with credit cards, we are satisfied that the benefits of a ban in reducing the risks of gambling-related harm will outweigh the inconvenience experienced by credit card gamblers who are not at risk of harm.
- 5.20** We note the 2CV data which demonstrates that, while most participants were not fully aware of the fees and interest incurred by credit card gambling, three-quarters of *lower risk* credit card gamblers also said that now that they were aware, those charges were likely to deter them from using their credit cards for gambling. This suggests that the accrual of fees and potentially higher interest rates for gambling (ie cash advance) transactions may be of a greater inconvenience to the cohort of *lower risk* credit card gamblers than a ban on credit card gambling itself.
- 5.21** The motivations for using credit cards for gambling are essentially reasons for using credit cards *instead of debit cards*, or another form of payment, for the same transactions. In this context we note that many of the stated benefits for credit card use are also, to some extent, available through debit cards.
- 5.22** Many banks participate in a chargeback scheme which, while not a legislative requirement, allows for the refund of certain debit card transactions (for example where the transaction is disputed or is made with a merchant that ceases trading). The scheme therefore offers protections for debit cards similar to those afforded by the Consumer Credit Act 1974 (which only applies to credit card transactions greater than £100).
- 5.23** The Payment Services Regulations 2017 also introduced consumer protections for the fraudulent or unauthorised use of debit cards similar to existing protections for credit cards.
- 5.24** Many consumers advised that they accrue benefits from using their credit cards for gambling, for example where the card issuer offers a rewards programme such as cashback, Air Miles, or vouchers. We explored the rewards programmes of ten major credit card issuers and in each of those schemes, 'cash advance' transactions including gambling transactions were *not* eligible to accrue rewards. While some card issuers may allow rewards to accrue for gambling transactions, we have not obtained any evidence to suggest that this is widely prevalent.

## 6 Evaluation

- 6.1 In the consultation we explained that we will evaluate the impact and effectiveness of any regulatory change on credit cards after the changes are implemented in LCCP. We stated that we will be prepared to alter or reverse our regulatory intervention if the evaluation reveals that it has contributed to adverse and disproportionate unintended consequences.
- 6.2 [HM Treasury's Guidance for Evaluation \("The Magenta Book"\)](#) explains that evaluation is an objective process to understand the effects of a policy or regulatory intervention, who has been impacted by that intervention, and how and why they have been impacted. The focus of evaluation is on the practice and experience of the policy change and observations of what happened following implementation (rather than what was expected or intended, for instance, which is the topic of appraisal).
- 6.3 Policy evaluations may take different forms, but we intend to evaluate the *impact* of the regulatory intervention on credit card gambling to understand what difference the intervention has made.

### Our key evaluation objectives

- 6.4 The effectiveness of the regulatory changes on credit cards will therefore need to be evaluated against our key policy objectives of:
- reducing the risks of harm to consumers from gambling with credit cards
  - whilst also minimising the impact on gamblers not currently experiencing harm

### Evaluation approach

- 6.5 The evaluation will be delivered via a phased approach as part of a regulatory settlement agreement. We have partnered with the Gambling Research Exchange (GREO) which will commission and work alongside identified partners to support the delivery of the evaluation.
- 6.6 The phased approach, described in more detail below, involves the following key elements:
- Forming an evaluation steering group and producing a project brief
  - Producing a "rapid evidence review" of literature and existing data on the use of credit cards and other borrowing for gambling.
  - Developing a "Theory of Change"
  - Conducting evaluation fieldwork
  - Publishing evaluation findings

### Evaluation framework

- 6.7 The Magenta Book explains that the evaluation of an intervention requires a framework within which the evaluation can be designed, data analysed, and results interpreted. The framework can be used to understand what existing evidence tells us and to identify gaps in the evidence base which the evaluation should focus on. Reviewing existing evidence relating to the broad evaluation questions is important to enable the objectives of any new evaluation research to be identified and refined.
- 6.8 The first element of our evaluation framework will therefore be **a rapid evidence review** of the existing literature around the use of credit cards and other forms of



borrowing for gambling. The review will be conducted by GREO and will also aim to identify any gaps in the evidence base.

**6.9** The rapid evidence review will explore:

- any evidence of a link between use of credit cards and gambling-related harm.
- how the use of credit cards for gambling compares to the use of other forms of borrowing (such as payday loans) to fund gambling
- why gamblers use credit cards to gamble
- whether a ban or restriction on credit card use has been introduced in any other jurisdiction, and if so, what the outcome was
- any evidence to suggest that a ban on credit cards could result in unintended consequences (such as gamblers switching to other forms of borrowing)
- any gaps in the evidence base, and how should these be filled

**6.10** The second phase of the framework will be to develop a **theory of change**. Theory-based evaluation approaches provide an overarching framework for understanding and testing the assumed connections (i.e. the theory) between an intervention and the anticipated impacts. Theory of Change evaluation involves specifying an explicit theory of “how” and “why” a policy might cause an effect - which is then used to guide the evaluation.

**6.11** The theory of change tries to understand the combination of factors that has led to the intended or unintended outcomes and impacts of the intervention. A Theory of Change approach therefore normally *develops* and then *tests* the implementation theory of the policy intervention and allows this theory to be modified or refined through the evaluation process. Quantitative and qualitative methods can be used to gather data to test the theory.

**6.12** The third stage of our evaluation is therefore the evaluation fieldwork itself, using the theory of change as a guide. We intend to publish the outcomes of the evaluation as soon as they are available.

## Annex: new licence condition and deleted social responsibility code of practice

### Addition of new licence condition 6.1.2 - use of credit cards

All non-remote general betting, pool betting and betting intermediary licences, and all remote licences (including ancillary remote betting and ancillary remote lottery licences) except gaming machine technical, gambling software and host licences.

1 Licensees must not accept payment for gambling by credit card. This includes payments to the licensee made by credit card through a money service business.

### Removal of existing Social responsibility code provision 3.7.1

#### Credit cards

All non-remote general betting licences (except where betting is offered under a 2005 Act casino premises licence), pool betting and betting intermediary and all remote licences, except gaming machine technical, gambling software, host, ancillary remote casino, ancillary remote bingo and remote betting intermediary (trading rooms only) licences

1 Licensees who choose to accept credit cards must:

- a accept payment by credit card for gambling only where that payment is made to a customer account
- b make available for gambling, funds deposited via credit card only after the card issuer has approved the transaction.

<date>

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