

Online mystery shopping programme

Information note, July 2009

1 Executive Summary

- 1.1 The Gambling Commission (the Commission) conducts a rolling programme of mystery shopping on gambling websites as part of its on going compliance activity. This programme includes operators regulated overseas that advertise their services to the UK market as well as operators licensed by the Commission.
- 1.2 The programme looks at various aspects of social responsibility; whether advice on social responsibility measures is easily accessible; whether self exclusion is available and clearly signposted; whether customers can set their own financial limits; and whether operators prevent people under 18 years of age from gambling and withdrawing winnings.
- 1.3 The results for the programme between April 2008 and March 2009 show that the vast majority of the largest operators and those with the greatest UK facing business have sufficient social responsibility measures in place.
- 1.4 When we tested the various aspects of social responsibility measures we found that, of the tested websites regulated by the Commission, over 99% of the active customer accounts were registered with operators that had easily accessible responsible gambling information, self exclusion measures and financial limits.
- 1.5 When we tested for under-age gambling, of the websites regulated by the Commission, over 95% of active customers were registered with operators that had no identified weaknesses, 2.5% were registered with those in the inconclusive category due to either technical limitations or other factors that made it difficult to assess the operator and only 2.2% were registered with operators that had weaknesses that, in some circumstances, could allow under-age persons to gamble and withdraw winnings. These results are supported by other statistics we collate from complaints, regulatory reporting and research.
- 1.6 All operators licensed by the Commission with deficiencies have been formally notified and those still trading here have confirmed to us that remedial action has been taken.
- 1.7 We have notified the overseas regulators of the nature of the deficiencies relating to the social responsibility measures outlined in this report. We are working with all regulators and in many cases action has already been taken. Overseas operators with deficiencies in relation to our requirements will also be re-tested and, as part of our remit to advise Government on gambling issues, we will provide information to the Secretary of State on the overall position although not on identified operators.
- 1.8 It is important to note that this programme is not intended to establish the extent of any underage gambling but to test the effectiveness of barriers to such gambling; it only covers one possible approach that an underage person might use to attempt to access gambling facilities albeit one with fairly generic application.

2 Introduction

2.1 As part of its compliance activity the Commission conducts a rolling programme of mystery shopping on gambling websites. Set out below are the results of the programme between April 2008 and March 2009 for the following:

- the effectiveness of an operator's systems to prevent this attempt at underage gambling;
- the availability of customer set financial limits;
- the availability of information on how to self exclude from gambling facilities; and
- the availability of responsible gambling information.

2.2 The programme initially focused on assessing the age verification systems of websites licensed by the Commission. It was then extended to cover the other key social responsibility requirements and to include those operators regulated overseas but permitted to advertise into the UK. These include operators based in EEA States (Malta), Gibraltar and jurisdictions that have been added to the UK Government's white list¹.

3 Approach

3.1 In contrast to premises based gambling, online customers are required to register with remote operators and provide personal details and an electronic payment method linked to those details. This should enable operators to have appropriate procedures to verify the age and identity of individuals.

3.2 Commission employees used the identities of 16 year old volunteers (with parental consent) and a category of bank account that is commonly available to individuals under the age of 18. The volunteers' details and bank account were then used to attempt to register with online gambling operators using a false date of birth to make them appear to be 18 or over. Once registered, the employees then gambled modest amounts and attempted to withdraw winnings.

3.3 In terms of age verification the tests focused on whether the operator prevented gambling and the withdrawal of winnings. If the operator did not prevent gambling and the withdrawal of winnings the operator was considered to have a weakness in its age verification procedures.

3.4 This test covers one possible approach that an underage person might use to attempt to access gambling facilities and the tests highlight deficiencies in procedures that could lead to an underage person being able to gamble and withdraw winnings. It is not intended to establish the extent of any underage gambling but to test the effectiveness of barriers to such gambling; it only covers one possible approach that an underage person might use to attempt to access gambling facilities albeit one with fairly generic application.

3.5 The Commission's assessment of other key social responsibility measures focused on whether the measures listed in 5.1 below were visible on operators' websites and in particular on the social responsibility pages.

4 Results – Age verification

4.1 During the test period the Commission assessed the age verification systems of 37 of its licence holders. Those tested have some 14.3 million registered customer accounts with 3.2 million of those considered active (gambling activity having taken place within the last 12 months. These customers may be located in Britain or overseas.

¹ White listing is the term used to cover a jurisdiction that has successfully applied to the Secretary of State for DCMS approval for its operators to advertise in the United Kingdom. It indicates that the Secretary of State considers that the jurisdiction has a robust regulatory environment and that continuous licensing and regulatory enforcement of gambling operations takes place within that jurisdiction. The current jurisdictions on the white list are Alderney, Antigua and Barbuda, Isle of Man and Tasmania.

4.2 Commission licence holders were selected for testing based on three criteria. Firstly, the largest operators (ie those with the largest customer bases) were tested because they have the greatest potential impact. Secondly, operators that were identified as having a weakness in a previous test were re-tested. Thirdly, a number of licence holders that had not been tested previously were randomly selected for testing.

4.3 Table 1 below provides the results but also shows the impact of compliance activity by setting out the extent to which operators have improved their systems. In a limited number of cases where the operator has chosen to relocate, be licensed overseas and continue advertising to the UK we have contacted the relevant jurisdiction and are pursuing the matter as if the operators had been tested as one of their licence holders.

4.4 Some Commission licence holders also hold licences in overseas jurisdictions. For example an operator's betting product may be based in Great Britain while their casino product is based overseas.

4.5 Operators identified with deficiencies where a person under 18 may be able to gamble are subject to re-testing and further compliance activity.

Table 1 – assessment of age verification procedures for Commission licence holders with remote licences

Number of licence holders tested	Number with no weakness identified in testing	Number with weakness identified that could permit underage gambling	Number where test was inconclusive - will be subject to future tests	Number of the 13 with weaknesses that had no identified weakness on re-testing	Number of the 13 with weaknesses that are no longer operating and/or have surrendered their licence	Number of the 13 with weaknesses that have received compliance intervention but are yet to be re-tested
37	19 (95.3%)	13 (2.2%)	5 (2.5%)	3	4	6

The figures in brackets give the percentage of active customer accounts

4.6 Generally the weaknesses identified with Commission licence holders occurred in operators with a small customer base. Of the 3.2 million active customer accounts, over 95% were registered with operators that had no identified weaknesses. 2.5% fell into the inconclusive category due to either unresolved technical issues or the inability to complete the registration process. 2.2% were registered with operators that had weaknesses.

4.7 The Commission also tested 52 operators based wholly overseas but who are permitted to advertise their services in the UK because they are licensed and regulated in an EEA state, Gibraltar or a jurisdiction on the white list. The results in Table 2 include the 52 operators based wholly overseas plus the results in Table 1 for the 12 operators that are dual regulated by the Commission and an overseas regulator.

4.8 Operators regulated overseas were subject to the same test as Commission licence holders.

4.9 As the Commission does not hold information on the scale of overseas operations the Commission selected operators to be tested on the basis of their advertising presence in the UK. We also asked overseas regulators to verify our selection.

Table 2 – assessment of age verification procedures for overseas licence holders

Number of licence holders tested	Number with no weaknesses identified in testing	Number with weaknesses identified that could permit underage gambling	Number of inconclusive tests (subject to a future test)
64	34	23	7

- 4.10** Of the 12 operators that are regulated both by the Commission and overseas, 10 prevented gambling and the withdrawal of winnings whilst two had weaknesses identified that could permit underage gambling.
- 4.11** We do not have the same level of information in terms of active customer accounts for operators regulated exclusively in overseas jurisdictions. There is also a large overlap with many of the operators regulated by the Commission for some activities and regulated by overseas operators for other activities. The results for overseas licensed operators are therefore grouped together.
- 4.13** Our discussions with overseas regulators indicate that generally operators with the largest customer base had no identified weaknesses. Those operators with weaknesses identified appear to account for a small percentage of the total customer base. The inconclusive category includes websites where the shopping resulted in unresolved technical issues or the inability to complete the registration process.

5 Results – Social responsibility measures

- 5.1** This aspect of the testing programme assessed how easy it is to find information on the following key social responsibility measures:
- customer set financial limits;
 - information on how to self exclude or opt out from gambling facilities; and
 - responsible gambling information.
- 5.2** These are common social responsibility measures and are formal requirements in Great Britain and many overseas jurisdictions.
- 5.3** The Commission reviewed the social responsibility measures of 21 of its licence holders and 52 overseas based operators. The results in Table 3 include the 52 operators based wholly overseas plus 12 operators that are dual regulated by the Commission and one or more overseas regulators.

Table 3 – assessment of key social responsibility measures

Jurisdiction	Number tested	Advice on social responsibility measures easily accessible	Self exclusion available	Financial limits available
Gambling Commission	21	20	17	16
Overseas ²	64	59	55	54

- 5.4** In common with the age verification results, generally weaknesses identified with Commission licence holders occurred in operators with small customer bases. Over 99% of the active customer accounts were registered with operators that had responsible gambling information easily accessible, self exclusion measures available and financial limits available.
- 5.5** All Commission licence holders with weaknesses have since improved their systems or have ceased operating a gambling website under a Commission licence. In a limited number of cases where the operator has chosen to relocate, be licensed overseas and continue advertising to the UK we have contacted the relevant jurisdiction and are pursuing the matter as if the operators had been tested as one of their licence holders.
- 5.6** We are working with overseas regulators to ensure that these weaknesses are improved on and in many cases improvements have already been made.

² The overseas figure includes 12 operators that are licensed by the Gambling Commission and an overseas regulator (ie dual regulated).

6 Next steps

- 6.1 This programme forms part of the Commission's overall compliance activity. Where deficiencies are identified the Commission requires its licence holders to rectify them and those licence holders are subject to re-testing.
- 6.2 The Commission has a range of powers to take action against its licence holders that do not meet the required standards, and can if appropriate revoke licences. Indeed, this programme has already brought about tangible improvements.
- 6.3 Of the 13 Commission licence holders that were initially found to have deficiencies in age verification systems, three have improved their systems and have been re-tested to confirm this and four are either no longer operating at all or no longer offering remote gambling under a Commission operating licence. Six licence holders have implemented improvements and these operators will be subject to further re-testing, however they account for only 2.2% of the active customer base that was subject to the test.
- 6.4 The Commission will take regulatory action against its licence holders that do not improve their systems.
- 6.5 Similarly, for Commission licence holders that did not have appropriate social responsibility measures in place, following the Commission's compliance approach they have improved matters. All Commission licence holders with deficiencies have either improved systems since the testing or have ceased operating a gambling website under a Commission licence. As mentioned above, in a limited number of cases where the operator has chosen to relocate, be licensed overseas and continue advertising to the UK we have contacted the relevant jurisdiction and are pursuing the matter as if the operators had been tested as one of their licence holders.
- 6.6 For overseas operators the Commission will continue to work with the relevant regulators over any deficiencies identified with their licence holders.

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