

Lotteries

Key points: Conditions and codes

Under the Gambling Act 2005, the Commission continues to regulate society lotteries with proceeds of over £20,000 in a single lottery or total proceeds of over £250,000 in a calendar year and local authority lotteries. It will also continue to regulate all External Lottery Managers.

Societies and local authorities promoting these lotteries and External Lottery Managers will need to be licensed by the Commission. Smaller society lotteries will be regulated, as now, by local authorities. The National Lottery is regulated under different legislation, by the National Lottery Commission.

Since September 2007 gambling operators in Britain are required to be licensed by the Gambling Commission (the Commission). The Commission published Licence Conditions and Codes of Practice (LCCP) in November 2006, followed by a supplement in December 2006. A further revision of LCCP was published in June 2007 replacing both previous documents.

Since the publication of the LCCP in June 2007 a number of issues were raised both within the Commission and by external stakeholders. Some of these were concerned with clarifying the meaning of certain provisions, but there were also instances where with the benefit of some experience of the new regime, it became apparent that new provisions were required or existing ones needed amending. A consultation exercise was undertaken, during which stakeholders, including industry representatives and other interested parties, were given the opportunity to express their views about the proposals.

The proposals were published for consultation in April 2008. The Commission consulted widely with the industry, consumer groups with an interest in gambling and other interested parties, and made changes in response to the consultation.

The latest version of LCCP was published in October 2008 and takes effect from 1 January 2009. This revised document incorporates some additional and clarified provisions which reflect further work and consultation. It sets out the licence conditions and social responsibility code provisions with which licensees must comply and the codes of practice on how gambling should be conducted.

All the relevant LCCP publications are available on the Commission's website or in hard copy by contacting the Commission.

General principles

The Commission expects all gambling licensees to:

- conduct their business with integrity
- act with due care, skill and diligence
- take care to organise and control their affairs responsibly and effectively, with adequate risk systems and controls to protect the three licensing objectives
- maintain adequate financial controls and resources
- have due regard to the interests of customers and treat them fairly
- have due regard to the information needs of customers, and to communicate with them in a way that is clear, not misleading, and allows them to make a properly informed judgment about whether to gamble
- manage conflicts of interest fairly
- work with the Commission in an open and cooperative way and disclose to the Commission anything relating to the operator of which the Commission would reasonably expect notice.

The Commission will take these principles into account when considering the suitability of licence holders.

The Commission's role

The Commission regulates gambling in the public interest. Its remit is to keep crime out of gambling, ensure that gambling is conducted fairly and openly, and protect children and vulnerable people from harmed or exploited by gambling. The Commission also provides independent advice to government on gambling in Great Britain.

The Commission is a Non-Departmental Public Body. It operates at arm's length from government. It is independent from any political party, industry interest or pressure group.

The Commission was set up in October 2005 under the Gambling Act 2005. It took over the work of the Gaming Board for Great Britain. Under the 2005 Act, the Commission regulates betting, bingo, casinos, gaming machines, lotteries, and remote gambling.

The Commission does not regulate spread betting (the responsibility of the Financial Services Authority) or the National Lottery (regulated by the National Lottery Commission).

Key points

Basic requirements

- Lotteries continue to be run in support of good causes; they cannot be run for private or commercial gain.
- The Gambling Act 2005 carried over much of the previous regulatory structure. The main changes for society lotteries under the 2005 Act are:
 - a relaxation of expenses and prizes limits (up to 80% of proceeds maybe divided between expenses and prizes)
 - prizes not won maybe rolled over to other lotteries up to a maximum prize of £400,000
 - the maximum price of a lottery ticket has been abolished (currently £2)
 - the prohibition on lottery tickets being sold solely by means of a machine (automated process) has been abolished.
- The key financial requirements in society lotteries are:
 - a maximum of £4 million proceeds (ticket sales) in any one lottery
 - a maximum of £10 million aggregate annual proceeds (ticket sales) in successive lotteries
 - a maximum prize of £25,000 or 10% of the proceeds if greater, up to a maximum prize of £400,000
 - a requirement that at least 20% of the proceeds go directly to the purposes of the society promoting the lottery.
- Eligibility for a prize must not depend on the making of any payment other than the purchase of the lottery ticket.
- The price of each ticket must be the same and be shown on the ticket. The term 'ticket' includes an email or other form of confirmation of entry into the lottery, which can be retained by the customer electronically or printed.
- There must be at least one person holding a Gambling Commission Personal Management Licence or someone identified as responsible for the lottery if they are a small scale operator exempt from personal licence requirements.
- As with the gambling industry as a whole, lottery licensees need to comply with the broader requirements of the Gambling Commission and pursue the Gambling Act's licensing objectives. In particular lotteries, like other operators, will be required to comply with the social responsibility code provisions including the obligation to contribute to combating problem gambling, and to offer self-exclusion to their customers. However, the requirements are tailored to the circumstances of the lottery sector, not imposed uniformly or inflexibly.
- For example, lotteries are required to put in place procedures aimed at preventing tickets from being sold to children.
- Licensees must implement fair complaints and disputes procedures. In relation to disputes, licensees must allow complainants to refer their dispute to an independent body or person. Licensees must keep records of complaints and disputes, and provide information to the Commission through the regulatory returns.

Other issues

- To reduce the risk of fraud in respect of the unsolicited mailing of lottery tickets, societies should adopt one of three options:
 - to keep a record of tickets sent out and not returned
 - to limit to £20 the value of tickets sent to any one non-member address
 - to prohibit the mailing of unsolicited tickets to non-members.
- A licence condition sets out the requirement for a lottery submission to be submitted to the Commission within three months of the determination of each lottery. The Commission's suite of regulatory returns includes annual returns for completion by society lotteries and External Lottery Managers. The regulatory burden will be reduced by avoiding repetition on the society lottery regulatory return of information about non-remote society lotteries included in the lottery returns.

The Commission will not hesitate to use its legal powers to prosecute illegal gambling operators and to take tough regulatory action against licensees who fail to comply.