

## Raising standards conference **Accelerating the pace of change**

Speech by Sarah Harrison

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Thank you Chair

Colleagues, whilst I am always pleased to have the opportunity to speak at industry-hosted events, I take an extra pleasure from speaking from our own platform. It's the first time that we have run a conference like this, and your feedback will be very helpful for future events. This event recognises the place for face-to-face discussion as a way of building understanding of our aims and how industry can meet these.

What pleases me particularly about this conference, in addition to the high levels of interest we had from you in attending, is that it provides both an opportunity for us to share lessons from our work, and for industry operators to learn from peers. This is a good point to thank both Henry Birch and Mike Rothwell for agreeing to be part of today's proceedings and to share some of their experiences with you. The event also creates a platform for the consumer's voice, and I am particularly grateful to Walter Merricks, one of our Commissioners with substantial experience as a consumer champion, for bringing his perspective – the consumer voice is one I want to build on in events such as these in the future.

And finally, today also gives a platform for partners to contribute and I welcome and thank Natasha Longson from the Information Commissioner's Office (ICO) and Sam Wilson, from the Committee of Advertising Practice (CAP), as well as Biren Shah, from Deloitte and Anthony Werkman from Betway.

Today, in my opening remarks, I want to cover three things:

- 1) our vision for raising standards and accelerating the pace of change
- 2) some specific areas of focus for us all, some of which will be picked up in the workshop sessions
- 3) our review of enforcement policy and proposals for the future.

### **1. Our vision for raising standards**

This event is focused on raising standards and you will have noted that the title of this speech is 'Accelerating the pace of change'.

So why the urgency? What's the rush? Aren't we moving in the right direction?

The simple answer is that we think more could be done to put consumers at the heart of everything the operator does, and at a faster pace – whether that is commercial gambling operators or the National Lottery operator.

That's not to say some of you aren't heading in the right direction. You are. And that is to be recognised.

But our view remains that whilst recent licence and code changes, enforcement action and compliance work are having an impact; the pace of change within the industry needs to quicken.

But let's be clear, a sharper focus on consumers is not peculiar to the gambling industry. This (new) Government has put a focus on issues of consumer welfare and social justice. In her conference speech the Prime Minister talked about the spirit of citizenship, about the need for industry – all industries - to make a commitment to those who buy the goods and services that they sell. And where markets are dysfunctional, then the Government will intervene.

Across the economy, institutions are becoming increasingly focussed on their wider responsibilities to their customers, and regulators are helping to shape this.

In financial services, you see examples such as, Barclay's Digital Eagles programme to help get people online, and TSB's 'Local Banking for Britain' campaign focussing on empowering their staff to meet the needs of their local communities.

Of course, it took the financial crisis of 2008 and banks becoming one of the least trusted industries, to prompt any real action in that sector.

Look also at the automotive industry with brands such as VW focussing on trust-based advertising after the emissions scandal.

The message from those examples is clear - don't wait for a crisis to happen that shakes the very foundation of customers' trust in *your* industry. Act now and demonstrate to consumers that your interest in their needs is genuine.

We all have to face up and recognise, it's a consumer landscape. Whilst for some this will be a significant challenge, it also provides an exciting opportunity to take this industry forward. I am ambitious for us as an organisation - I want us to be the most *respected* gambling regulator in the world. But, I am ambitious for you too, your businesses and your sector - I want you to be the most *trusted* gambling operators in the world:

- where competing with each other means providing the best service, as well as the best odds
- where effective complaints systems are driven by a recognition of the value of consumer feedback, not by a half-hearted compliance with an obligation
- where licence and code obligations set the minimum benchmark and not an artificial cap on businesses reaching to improve and exceed these
- where other sectors seek to emulate the customer service standards of your industry, maybe even where the likes of John Lewis looks to one of you to learn how to improve their customer offer!

That's my ambition: for gambling consumers in Britain to have trust and confidence. Yes, that they will get the best prices and the best experience, but also that they will be well informed; treated fairly at all times; and kept safe, in particular those who are vulnerable to the risks and reality of gambling-related harm. In the same way, National Lottery players need to have confidence in how the Lottery is run so that it is fair, players are safe and, subject to those considerations, that it makes as much money as possible for good causes across the UK.

*It is these things that will also support a long-term, healthy market, and will contribute to wider attitudes towards gambling in our society, among the public and policy makers.*

This focus on consumers goes also for shaping the relationship you have with the Gambling Commission, as your regulator. We have said before that we want to see operators harnessing the same innovation and tools that are used to determine customer profitability, to drive customer protection.

I have also said before that working well, this would mean operators focusing on their consumers first, and less on the regulator. Ofwat, the water regulator, says in its consumer policy: 'We expect companies to demonstrate that their services reflect customer priorities - and not just their regulator's obligations.' I urge you to think about this question: what does the consumer need? Rather than 'What does the Gambling Commission expect?'

Increasingly, we will look to you to answer this question, and to evidence how you have done that, as we assess your future compliance. These are themes that we will explore and discuss further, including with industry and stakeholders, as the Board begins work on developing our forward strategy later in the financial year.

## **2. Specific areas of focus for raising standards**

Our workshops this afternoon will explore many aspects of how standards can be raised. I want to pick out a few examples now.

### **a) Social responsibility**

There is perhaps no better way to demonstrate a drive to raising standards than through a genuine and public commitment to meeting your social responsibilities.

About a year ago, I spoke at the Responsible Gambling Trust annual conference. I talked about the five things the Gambling Commission would look for from industry in terms of social responsibility initiatives:

1. **Clarity of purpose** – is the work operators are doing on social responsibility aimed at preventing harm – or just dealing with it where it was already occurring?
2. **Evaluation** – how will industry assess the impact of measures and share findings?
3. **Added value** – are operators doing the minimum, or taking their responsibilities further?
4. **Customer focus** – are businesses considering every aspect of the customer journey?

And finally:

5. **Transparency** – will operators take stakeholders with them, and be open about the inputs to their work, as well as the conclusions and actions?

Social responsibility and industry actions in relation to this are a feature of the Government's current call for evidence under the new Gambling Review. This has also been a strong theme for the first year of Annual Assurance Statements. Those of you attending our breakout session on social responsibility this afternoon, will see many of these points played back to you for consideration.

## **b) Treating customers fairly**

This is an increasingly important theme for the Commission. In the past 12 months, the Gambling Commission received over 40,000 emails from the public, and nearly 37,000 phone-calls (this is a huge increase - well over 300 per cent on the last two years). The top four areas for consumer concern were:

- self-exclusion
- withdrawal of customer funds
- terms and conditions
- advertising and marketing.

In each of these areas the theme of treating the customer fairly looms large. Many of these issues are now the subject of our joint work with the Competition and Markets Authority (CMA). The first phase of this work – a CMA investigation using new powers under the Consumer Rights Act – will take its course.

Linked to this are issues of marketing and advertising, which is why our work with the CMA also includes our partner the Advertising Standards Authority (ASA). Almost a year ago, I wrote to the CEOs of the major companies warning on marketing and advertising practices following changes made last summer to the LCCP. Many businesses took this up and acted to bring their house in order; some have yet to go far enough. We will continue to press on this, as part of the joint work with CMA and ASA, as well as independently, including taking enforcement action.

However, beyond almost 80,000 customer contacts to the Gambling Commission, around a further 8,000 disputes have been registered with the 11 ADR providers. Many more complaints are made direct to operators – you will know how many. Towards the end of this financial year, the Commission will begin a review of the ADR provision in the gambling sector. This work will include a review of current practices and requirements on operators to handle consumer complaints. There is a clear opportunity here and now, as the Commission prepares to begin its work, for the industry to take a lead. To build on best practice, engage with professional organisations, such as the Institute for Customer Service (who are working with us in our contact centre), and take the initiative to drive up standards in complaints handling and redress. I urge you to seize this opportunity, working individually and collectively, including with your trade bodies.

## **c) Money laundering**

Finally, in this section let me say something about money laundering, which as you are all aware has been a significant area of challenge in the recent past. Some of you will be attending our breakout session on money laundering, which will include a presentation by Deloitte who have worked in partnership with Caesars. Dealing properly with your obligations to manage the risks of your business being used for money laundering and terrorist financing is an essential part of reassuring the wider public that the gambling industry operates with integrity and can be trusted.

As you know, the Treasury is currently consulting on the transposition of the Fourth Money Laundering Directive which could see all gambling providers covered by the ML regulations. We will soon submit our advice as part of that consultation. However, regardless of whether your business is subject to those regulations, you will still have duties and responsibilities under the Proceeds of Crime Act and it is important that you are and remain alive to managing the risks of ML and TF, consistent with the licence objective to keep crime out of gambling. Here, I want to encourage you specifically to raise your game and be far more curious about the source of customer funds.

Our recent casework showed a lack of curiosity, and at worst, a leadership culture which puts commercial gain over compliance. I still hear now that some businesses are adopting a strategy of 'wait and see' - wait until the source of funds is *proven* to be illegal before acting. This is far from a risk-based strategy, nor is it credible.

### 3. Enforcement strategy

In this last section I will set out some of the key areas of change we are proposing to our enforcement policy.

Enforcement is an important part of our regulatory toolkit. It may not be the first place we will, or should, go to ensure the needs of consumers are met but, when necessary, it is a key lever that we have, and will continue to use.

Our own lessons learnt exercise points to the need for further changes to our policy and practices in two key areas: first vision and culture, and second, in the use of our powers.

#### Vision and culture

We propose a new vision for our enforcement action which will guide how we use our powers. It will give emphasis to, among other things, driving a culture where operators put consumers first, and creating credible deterrence.

We want to promote a culture of learning and best practice. If you read any of our more recent public statements on regulatory settlements, you will see we draw particular attention to what the industry needs to consider as a result of an individual case. We will make public in more detail the outcome of regulatory decisions, not just early settlements. We want to promote learning so that overall understanding will be improved and standards raised.

Some good work has been done by operators to learn from cases and we are going to hear from Henry and Mike later this morning. Initiatives have also been led by industry, for example in relation to money laundering via the GAMLG group led jointly by the RGA and the ABB, and a similar initiative led across the casino sector. We are pleased that operators are coming to the table to talk about issues, and just as importantly, are talking to their peers.

#### Use of powers

One of the principles in the Commission's existing statement for licensing and regulation is a preference for pursuing compliance through means that stop short of a licence review, in favour of a regulatory settlement. We propose to remove this bias in favour of settlement. We will **put access to all tools, including licence review (both of the operator and personal management licences), on an equal footing.**

Put simply we will use the right tool for the job. Parliament gave us a wide range of regulatory tools for a reason. Yes, we should use them proportionately but adopting a blanket approach of seeking a regulatory settlement as a matter of course is not the right way to achieve that proportionality.

In addition, we will propose changes to our statement on financial penalties with the likelihood of **higher penalties** going forward, in particular where we see systemic and repeated failings. Our principles on penalties already reflect the need to remove profits from non-compliance, take account of costs and consumer harm, and deter poor compliance but higher penalties are likely if we do not see behaviour changing.

Changes to the licences and codes, compliance work and recent case work have all served to give greater clarity on the Commission's priorities. While our consultation on enforcement policy changes will develop over the coming months, I want to make it clear that all cases relating to breaches which date **from now**, will be likely to attract higher penalties, should that be a necessary outcome.

**Settlement** will remain a key tool for the Commission in driving compliance. Where the facts are agreed, settlement can establish a more efficient and effective way to determine an outcome and sanction, giving the Commission scope to divert resources to focus on other priorities, and for the operator to do the same.

However, our experience shows that whilst settlements are an effective way of improving compliance, in practice, the process of arriving at these has been too drawn out. To create better incentives for early settlement, we also be consulting on introducing time-limited discounts.

What is encouraging is that we are seeing some operators coming forward and declaring issues of non-compliance to us. I commend those of you who have done this. Operators who spot an issue, declare it to us, implement a quick and effective improvement plan, focussed on preventing reoccurrence, and who make redress to consumers, should be credited. In this instance, we would certainly consider resolution through settlement rather than licence review.

By Christmas, we will set out our proposals for consultation on changes to our enforcement policy. We will work to implement these before the start of the new financial year.

## **Conclusion**

Do I acknowledge that some progress has been made? Yes, I do. Our recent series of Annual Assurance Statements and related workshops demonstrate that, as do our corporate evaluations with HIOs.

At operator level we have seen the development of harm reduction strategies and gambling management tools for consumers – both consumers who are gambling online and on machines. At sector level we have seen leadership for example by the Association of British Bookmakers on in-play messaging for machines and session play limits, and the RGA is developing work along similar themes for the online sector. Self-exclusion schemes have been rolled out across many sectors.

But you need to raise your ambitions and your sights higher. You need to step up the pace of change - in how you handle customer complaints; ensure advertising is clear; simplify terms and conditions; develop your risk management strategies on money laundering; evaluate the impact of social responsibility initiatives - and, working across all these areas, in how you do more to share best practice.

Know Your Customer is a long and well established principle in gambling regulation, now is the time to take this to the next level.

And where the customer is at the heart of our thinking, we as the regulator must live these same values. I could not stand up here, speaking about your need to focus more on consumers, if I was not prepared to hold a mirror up to my own organisation.

We have started a conversation with consumers following the launch of our consumer engagement plan at the end of September. We have a long history of focus on consumer needs and working in the wider public interest. But this is an industry that is rapidly changing, where the consumer experience changes as fast as the technologies that they use. We need to ensure that we are constantly listening to the voice of the consumer so that we can use our regulatory powers to meet their changing needs now and in the future.

We are just starting the next steps in our journey, to ensure that the consumer is firmly at the heart of our organisation. My invitation to you is to join us. Let's work with a shared purpose, to meet the ambition of turning this industry into the most trusted gambling sector in the world.

Thank you.