

People's Postcode Lottery response to House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry

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1 About People's Postcode Lottery

1.1 People's Postcode Lottery is an External Lottery Manager owned by a social enterprise and licensed by the Gambling Commission. It manages 52 large charity (society) lotteries on behalf of a wide range of good causes including The Wildlife Trusts, Dogs Trust, Maggie's, Royal Voluntary Service, Riding for the Disabled Association, The Woodland Trust and Breast Cancer Now.

1.2 People's Postcode Lottery operates with the sole purpose of helping to raise funds for good causes. Charities are at the heart of everything we do. Since People's Postcode Lottery launched in 2005, players have raised over £462 million for over 6,500 good causes, including many local community organisations across Britain. Our players now raise approximately £11 million for good causes every month

1.3 A minimum of 32%¹ of the value of each ticket goes to good causes, well above the statutory 20%. This compares to a return of 21.7% from the National Lottery, according to the annual industry statistics published by the Gambling Commission.²

1.4 The charity lotteries we manage have together supported charities and good causes in a wide range of sectors. These include over 80 larger charities working in the areas of:

- support for older people, young people, homeless people and people living with health problems.
- environmental protection, animal welfare and wildlife conservation.
- sport, culture and the arts.
- international development and human rights.

2 People's Postcode Lottery's views on the inquiry questions are set out below. We have only responded to questions where we have a specific view or expertise.

3 Question 1. Are the three primary aims of the Gambling Act 2005 (to prevent gambling from being a source of crime or disorder, to ensure that gambling is conducted in a fair and open way, and to protect children and other vulnerable persons from being harmed or exploited by gambling) being upheld?

3.1 People's Postcode Lottery works to ensure that it upholds the licensing objectives set out in the Act.

¹ *Raising the limits on society lottery funding*, People's Postcode Lottery, 2018.

² *Industry statistics, April 2015 to March 2018*, Gambling Commission, 2018.

3.2 Lotteries represent the “lowest risk” of any type of gambling, this is particularly important in relation to the licensing objective “protecting children and other vulnerable persons from being harmed or exploited”. This “low risk” is evidenced by the following:

3.2.1 2018 research by Nat Cen Social Research, on behalf of the Gambling Commission, found that lotteries have the lowest prevalence of problem gambling of any form of gambling: *“For both, low risk and moderate risk gambling, the lowest prevalence rates were found among those who participated in the National Lottery draws or other lotteries.”*³

3.2.2 The Gambling Commission, as official regulator, has expressed the view that charity lotteries are *“considered to be low risk in terms of the licensing objectives set out in the Act.”*⁴

3.2.3 Nottingham Trent University research categorised People’s Postcode Lottery as *“low risk”*. This categorisation is due to several elements, including the discontinuous nature of the game, no illusion of control over the game, no chance to reinvest winnings, no “near misses”, and the fixed stake at a relatively low price.⁵

4 Question 3. Is gambling well regulated, including the licensing regime for both on and off shore operations? How successfully do the Gambling Commission, local authorities and others enforce licensing conditions including age verification? What might be learned from comparisons with other regulators and jurisdictions?

4.1 People’s Postcode Lottery believes that the existing arrangements, in so far as they apply to charity lotteries, operate in an effective and robust manner.

5. Question 5. What are the social and economic costs of gambling? These might include costs associated with poor health and hospital inpatient services; welfare and employment costs; the cost of benefit claims; lost tax receipts; housing costs through statutory homelessness applications; and criminal justice costs.

5.1 Notwithstanding the fact that lotteries are considered a “low risk” form of gambling, People’s Postcode Lottery takes our responsibilities to our players and potential players very seriously as evidenced by a range of measures which are designed to protect members of the public from harm.

5.1.1 Limits on ticket sales: Customers buying tickets are limited to buying three £10 monthly subscriptions in a single transaction and an absolute maximum of six subscriptions. This means the maximum an individual can spend a month is £60.

³ Gambling behaviour in Great Britain in 2016

⁴ Gambling Commission, Society Lotteries advice, Phase 2, 29 June 2018.

⁵ Social Responsibility Risk Assessment of People’s Postcode Lottery, Nottingham Trent University, 2010.

Nearly 9 out of 10 players (89%) play with one subscription a month (i.e. £10 per month), with a further 9% playing with two subscriptions. Less than 1% of players play with six subscriptions.

- 5.1.2 No ability to gamble in “real time”: Rapid event frequency is widely accepted as one of the most influential factors for vulnerable gamblers developing gambling problems by encouraging “chasing behaviour”. People’s Postcode Lottery’s structure ensures there is no ability to gamble in real time as People’s Postcode Lottery is a monthly subscription product with limited player interaction. There are also no incentives offered for high value customers.
- 5.1.3 Vulnerable persons training: We train employees who interact with players to ensure they can identify vulnerable players and take the correct action when identified. Staff receive regular training to identify vulnerable persons, working with our supported charities and other organisations to develop knowledge and awareness of the key indicators.
- 5.1.4 Self-exclusion: People’s Postcode Lottery operates a robust self-exclusion policy. Individuals can self-exclude by contacting People’s Postcode Lottery by email or by free phone.
- 5.1.5 Scratch cards: In contrast to the National Lottery we do not sell scratch cards. This means that players cannot simply buy more and more tickets.
- 5.1.6 Designed not to appeal to young people: Lotteries and scratch cards are available to those aged 16 or over. Our product appeal and marketing positioning purposely does not appeal to younger players. As a result, just 0.006% of active players are 16 and 17 year olds.

6. Question 6. What are the social and economic benefits of gambling? How can they be measured and assessed?

- 6.1 People’s Postcode Lottery was set up purely to raise funds for good causes. As an operator of charity lotteries our product is very different to other types of gambling regulated under the Gambling Act, which are mostly operated for private profit.
- 6.2 For measurement and assessment we welcome the Gambling Commission’s annual statistics which publish the annual funds to good causes raised by charity lotteries.
- 6.3 Since People’s Postcode Lottery launched in 2005, players have raised over £462 million for over 6,500 good causes, including many local community organisations, across Britain. Our players now raise over £11 million a month for good causes, benefitting a wide range of charities and good causes.

7. Question 7. Is the money raised by the levy adequate to meet the current needs for research, education and treatment? How effective is the voluntary levy? Would a mandatory levy or other alternative arrangement be more productive and effective? How should income raised by a levy be spent, and how should the outcome be monitored? What might be learned from international comparisons?

7.1 Section 123 of the Gambling Act 2005 provides the Secretary of State with reserve powers to impose an annual financial levy on the holders of all operating licences. While any levy would apply to all classes of operating licence *“different levies could be charged to different operators”*⁶.

7.2 People’s Postcode Lottery agrees with The Lotteries Council, of which we are a member, that any levy, whether voluntary or mandatory, should be based on causation, not on Gross Gambling Yield or other measure. We share their concern that levying charity lotteries in the same way as bookmakers and casinos, who have a significantly higher prevalence of problem gambling, means that the lower-risk charity lottery sector – and therefore the charities they support - is effectively subsidising the higher risk sections of the gambling sector.

7.3 People’s Postcode Lottery believes that a blanket “catch all” levy would divert money from good causes towards tackling gambling related harm caused by the products of highly profitable gambling companies.

7.4 Carolyn Harris MP, Chair of the All-Party Parliamentary Group on Gambling Related Harm, has referred in Parliament to the need for a “polluter pays”⁷ levy. Tom Watson MP, Shadow Secretary of State for Digital, Culture, Media and Sport, has also spoken of the need for a levy to be a “smart levy” to address this point.

7.5 We think a levy based on this principle would be more appropriate than an across the board levy and urge a greater focus on better understanding the causation of problem gambling.

8. Question 8. How might we improve the quality and timeliness of research in the UK? What changes, if any, should be made to the current arrangements for funding, commissioning and evaluating research in the UK? What might be learned from international comparisons?

8.1 As stated above we believe that there is an urgent need to better understand what actually causes gambling related harm, and thus urge a greater research focus on the causation of problem gambling.

⁶ Gambling Act 2005, Explanatory Notes. <https://www.legislation.gov.uk/ukpga/2005/19/notes/division/3>

⁷ Hansard 4 July 2019 <https://hansard.parliament.uk/Commons/2019-07-04/debates/47434DFE-7C2F-4F27-8413-29C9B8D7312F/DigitalCultureMediaAndSport>

9. Question 9. If, as the Responsible Gambling Strategy Board (RGSB) has suggested, there is limited evidence on which to base sound decisions about gambling by children and young people, what steps should be taken to rectify this situation?

9.1 People's Postcode Lottery support further research in this area.

10. Question 18. The restrictions on society lotteries were relaxed by the Gambling Act 2005, and there is concern that some of them are effectively being taken over by larger commercial lotteries. Is this concern well founded if so, what should be done?

10.1 People's Postcode Lottery is not aware of any charity lottery being taken over by a larger commercial lottery. We therefore do not believe that this concern is well founded.

10.2 Charities can contract External Lottery Managers to manage their lottery on behalf of the charity. This is something which People's Postcode Lottery successfully carries out on behalf of 50 charities. This has proven to be a highly successful way of helping to grow funds for good causes.

10.3 The Gambling Commission highlight this in their advice to Government on charity lotteries, published in 2018: *"The involvement of ELMs benefits charities and other societies by enabling them to outsource the administration of their lottery to professional lottery operators who can use their knowledge and expertise to maximise proceeds and as a result increase the return from the lottery to the good causes those societies exist to support."*⁸

10.4 The value to good causes resulting from ELMs has been described by the Gambling Commission as follows: *"Whilst the percentage returned to good causes for lotteries managed by ELMs may sometimes be lower than for lotteries run by societies themselves, the actual amount returned is also far higher." "Economies of scale, access to marketing tools and shouldering the burden of risk (with regard to the cost of expenses and prizes) are all valid reasons for societies joining such a scheme."*⁹

10.5 The Gambling Commission also referenced their own statistics on funds to good causes to explain the financial benefit of ELMs to charity lotteries.: *"Since the Act came into force in September 2007 the number of licenced ELMs has increased from ten to nearly forty. Proceeds in society lotteries have increased from £178 million in 2008/9 to*

⁸ Gambling Commission. 'Advice provided to DCMS on society lotteries'. Published 29 June 2018. <https://www.gamblingcommission.gov.uk/PDF/consultations/Society-lottery-advice-provided-to-DCMS-002.pdf>

⁹ Gambling Commission. 'Advice provided to DCMS on society lotteries'. Published 29 June 2018. <https://www.gamblingcommission.gov.uk/PDF/consultations/Society-lottery-advice-provided-to-DCMS-002.pdf>

£437 million in 2014/15. In the same period the proportion of lottery proceeds ELMs were involved in raising increased from £36 million to £231 million.”¹⁰

11. Question 19. Should changes be made to the statutory regime governing the National Lottery, to bring it into line with the regime governing operators of other lotteries?

- 11.1 People’s Postcode Lottery are not in favour of the National Lottery having exactly the same statutory regime as charity lotteries. We are supportive of the National Lottery as an institution and think there is benefit in the two types of lottery having different statutory regimes in order to keep the markets separate and maximise the funds available for good causes. However, there are some areas of lottery policy where we think the two regimes should be the same. This is detailed below.
- 11.2 There are currently numerous differences between the National Lottery and charity lotteries, including that charity lotteries have restrictions in law on their sales per draw, annual sales and maximum jackpot prizes, whilst the National Lottery does not. People’s Postcode Lottery is in favour of these limits being raised.
- 11.3 There is also a difference in the geographic area covered by charity lotteries. Charity lotteries licenced by the Gambling Commission cannot operate in Northern Ireland or the Isle of Man – unlike the UK National Lottery.
- 11.4 Charity lotteries also have to return a minimum of 20% of proceeds to good causes, whilst there is not a similar rule for the National Lottery. We recommend that this limit is put in place for every National Lottery product, in order to increase funds to good causes and maintain trust in the National Lottery.
- 11.5 People’s Postcode Lottery are supportive of the removal of Lottery Duty from the National Lottery, as it is in effect a tax on charitable fundraising.
- 11.6 The Department of Digital, Culture, Media and Sport in their publication, “Government response to the consultation on society lottery reform”, state that “Society lotteries are not subject to tax, in line with the long-standing principle of not taxing charitable fundraising.”¹¹ We see no reason why the National Lottery should be an exemption from this principle, especially as the licenced operator, in common with External Lottery Managers, is subject to corporation tax.

¹⁰ Gambling Commission. ‘Advice provided to DCMS on society lotteries’. Published 29 June 2018. <https://www.gamblingcommission.gov.uk/PDF/consultations/Society-lottery-advice-provided-to-DCMS-002.pdf>

¹¹ Department for Digital, Culture, Media & Sport, ‘Government response to the consultation on society lottery reform.’ 16 July 2019. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817544/Response_to_Consultation_on_Society_Lotteries_PDF.pdf