

Responsible Play

Charity Lotteries and gambling-related harms: a call for proportionate regulation

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February 2021
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Foreword from Carolyn Harris MP



Should charity lotteries be exempt from taking action on problem gambling – absolutely not! Should they be considered differently from the big betting companies – yes, they should!

As Chair of the All-Party Parliamentary Group on Gambling Related Harms our role is to ensure that the gambling sector operates fairly and in a way that protects potentially vulnerable people.

However not every organisation regulated under the UK's gambling legislation is the same. Charity lotteries are a very different type of organisation from the big international private companies which dominate the betting industry.

This is true both in terms of what they exist for – charity fundraising versus private profit – but also in regard to the level of risk related to problem gambling.

It has been widely acknowledged that there is a much lower problem gambling risk from playing charity lotteries than from other types of gambling such as betting.

I thus welcome this new report which sets out the evidence available to date on this issue and calls for policy differentiation as the Government prepares to undertake a much-needed review of the Gambling Act. This is an approach I am very happy to support.

Just because charity lotteries are raising funds for charities doesn't mean they shouldn't take issues around problem gambling seriously, however I am reassured that they are indeed thinking carefully about these issues which can only be a good thing, and can further reduce any risk which does exist.

We must not allow a situation to arise where charity lotteries – and the charities they raise funds for – end up losing out because of regulatory action which is actually about solving issues which are mostly about betting companies.

This is an issue I will be keeping a close eye on in the Gambling Review as, now more than ever, our charities and good causes need the vital funds which the charity lottery sector raise.

Carolyn Harris MP

Chair of the All-Party Parliamentary Group on Gambling Related Harm

Foreword from the Lotteries Council



The Lotteries Council commissioned nfpSynergy to write an independent report looking into the issues around problem gambling and responsible play last year. It has long been understood that charity lotteries are a low-risk activity from a problem gambling point of view, but despite that our members have long been cognisant of the importance of protecting potentially vulnerable players. Indeed, given the very nature of charity lotteries is to help society, you might say that it is in the DNA of charity lotteries to protect potentially vulnerable players, and they have done that in many different ways.

However, we didn't want to rest on our laurels and thought it worth considering if there was more we could or should be doing in this area. In addition, we were aware that the issue of problem gambling has gone up the political agenda – largely on the back of very legitimate concerns around the large sums of money which could be lost very quickly using Fixed Odds Betting Terminals.

We are concerned that, despite charity lotteries' low risk profile and engagement to protect players, changes in the law or regulations around gambling, which are really about trying to protect consumers from potential bad practice by betting companies, could inadvertently end up damaging the ability of charity lotteries to raise funds for good causes – which is what they exist to do. This would be a very unfortunate outcome of good intentions around protecting consumers.

We thus welcome this report from nfpSynergy, which looks in depth into these issues. The report highlights once again the evidence that charity lotteries are low risk, but it also proposes the idea of a Code of Best Practice for charity lotteries, which The Lotteries Council will now consider as a way of further strengthening the sector in this important area.

Tony Vick
Chair, The Lotteries Council

Introduction

The Lotteries Council, the trade body for the Charity Lottery sector, has commissioned nfpSynergy to review any research evidence which may shed light on the possible relationship between participation in charity lotteries and mental, social or economic harm arising to the players of those games of chance. There has been considerable discussion about the most appropriate arrangements for funding research, prevention and treatment¹ to reduce gambling-related harm. In shaping responses to this debate, it is essential that the relevant research evidence is clearly and easily available. This report aims to bring all that evidence together including the July 2020 House of Lords report on gambling harm² and an Australia paper on gambling harm and lottery products.³ It also looks at how charity lotteries should contribute to the funding of research, prevention and treatment for gambling harms and calls for a levy proportionate to the likely harm that any type of gambling causes.

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¹ Research prevention and treatment was previously known RET or research education and treatment. Some of the titles of the references still refer to this old moniker and these have been kept as appropriate.

² Gambling Harm—Time for Action. House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry. July 2020.

³ Gambling-related harm attributable to lottery products. Addictive Behaviours, vol 9, October 2020 <https://doi.org/10.1016/j.addbeh.2020.106472>

Part 1: An overview of the research

1.1 Research into gambling participation

Our understanding of the prevalence and nature of gambling is largely based on survey research. This has inevitable limitations common to this type of research, since it is dependent on robust sampling to ensure generalisation, as well as the limitations inherent in self-reporting, such as the likelihood that respondents will give what they perceive as the 'right' answers (known as social desirability bias) and the accuracy of the respondent's memory. Attempts have been made to address some of these issues. For instance, the 2010 British Gambling Prevalence Survey (BGPS) changed its methodology from self-completion questionnaires (used in its previous surveys in 2007 and 1999) to computer-assisted self-interviewing (CASI) in an attempt to reduce social desirability bias and to capture greater levels of detail.⁴

Whilst it is important to recognise these limitations, it is relatively straightforward to define participation rates over a set period of time in a particular form of gambling. The most up to date gambling participation data for Great Britain is collected by the Gambling Commission on a quarterly basis using a bespoke telephone survey administered by an external research agency.⁵ The results for each calendar year are based on a rolling year average of the four quarters in the year, reducing the effect of seasonal variations in gambling behaviour. Approximately 1,000 people aged 16+ are surveyed per quarter using a sample generated through Random Digit Dialling (RDD) of GB phone numbers. The sample is subject to quotas to ensure it is as nationally representative as possible and data is also weighted for analysis to ensure all results are representative of the adult population.

Around 46% of adults in Great Britain participated in at least one type of gambling activity in the past four weeks.⁶ Participating in 'other lotteries' is consistently one of the most popular forms of gambling. The most recent figures from the Gambling Commission show that participation in the National Lottery draws over the last four weeks was 30%, with scratch-cards at 10% and other lotteries at 13%.⁷

⁴ Wardle, H. et al. (2011). 'British Gambling Prevalence Survey 2010'. London: National Centre for Social Research.

⁵ Gambling Commission. (2019) Gambling participation in 2018: behaviour, awareness and attitudes. Annual report, February 2019.

⁶ Gambling Commission. (2019) Gambling participation in 2018: behaviour, awareness and attitudes. Annual report, February 2019.

⁷ Gambling Commission. (2020) Gambling participation in 2019: behaviour, awareness and attitudes. Annual report, February 2020.

Table 1 below shows the most up to date (2016) data for participation over the last 12 months in a comprehensive range of gambling activities.⁸ Again, the National Lottery draws (41%), scratch-cards (21%) and other lotteries (14%) were the most popular. Comparing these findings with past surveys in England and Scotland shows that there has been a continued decline overall in 'past year' gambling participation. This is largely driven by the continuing fall in popularity of the National Lottery draws in terms of the number of people playing; participation fell from 65% in 1999 to 52% in 2012, to 46% in 2015 and then to 41% in 2016. For other activities, including other lotteries and scratch-cards, participation rates tended to be similar over this period.⁹ Some activities bucked this trend, with online gambling (on casino or slot style games and sports betting) becoming as popular as traditional betting on horses and more popular than playing slot machines or visiting casinos. The prevalence of online gambling has increased from less than 1% in 1999 to 9% in 2016.¹⁰

This table also shows prevalence by gender, which reveals another way in which charity lotteries are distinct from other forms of gambling. Whilst men are significantly more likely to participate in most forms of gambling than women (with the exception of bingo where the reverse is true), there appears to be a negligible gender divide when it comes to participation in scratch-cards or charity lotteries.

Table 1: Participation in gambling activities in the past 12 months by those aged 16+ in Great Britain¹¹

Gambling activity	Total	Men	Women
<i>Lotteries and related products</i>			
National Lottery draws	41%	46%	37%
Scratch-cards	21%	21%	20%
Other lotteries	14%	14%	14%
<i>Machines/games</i>			
Football pools	3%	5%	1%
Bingo (not online)	5%	3%	7%
Slot machines	6%	8%	4%
Machines in a bookmaker	3%	5%	1%
Casino table games (not online)	3%	5%	1%
Poker played in pubs or clubs	1%	2%	0%

⁸ Connolly A, Davies B, Fuller L, Heinze N, Wardle H. (2018) Gambling in Great Britain in 2016: evidence from England, Scotland and Wales. Gambling Commission, 2018

⁹ Connolly A, Davies B, Fuller L, Heinze N, Wardle H. (2018) Gambling in Great Britain in 2016: evidence from England, Scotland and Wales. Gambling Commission, 2018

¹⁰ Connolly A, Davies B, Fuller L, Heinze N, Wardle H. (2018) Gambling in Great Britain in 2016: evidence from England, Scotland and Wales. Gambling Commission, 2018

¹¹ Connolly A, Davies B, Fuller L, Heinze N, Wardle H. (2018) Gambling in Great Britain in 2016: evidence from England, Scotland and Wales. Gambling Commission, 2018

Online gambling on slots, casino or bingo games	3%	4%	2%
<i>Betting activities</i>			
Online betting with a bookmaker	8%	13%	2%
Betting exchange	1%	2%	0%
Horse races (not online)	9%	12%	7%
Dog races (not online)	2%	3%	1%
Sports events (not online)	5%	9%	1%
Other events (not online)	1%	2%	0%
Spread betting	1%	1%	0%
Private betting	4%	6%	2%
<i>Other gambling activity</i>			
Any other gambling	1%	2%	1%
<i>Summaries</i>			
Any gambling activity	57%	62%	52%
Any gambling (excluding if only participated in National Lottery draws)	42%	46%	38%
Any online gambling or betting	9%	15%	4%
No gambling activity in last 12 months	43%	38%	48%

1.2 Research into problem gambling

In comparison to ascertaining the prevalence of different forms of gambling, it is considerably more complicated to set appropriate criteria to determine the prevalence of 'gambling harms.' A number of different terms have been used to describe individuals facing difficulties with their gambling, for instance: 'pathological,' 'addictive,' 'excessive,' 'dependent,' 'compulsive,' 'impulsive,' 'disordered' and 'at-risk.'¹² We will primarily use 'gambling harms' here as a general term to indicate all patterns of disruptive or damaging gambling behaviour, though problem gambling is a term that has been widely used till recently. That is, '*gambling to a degree that compromises, disrupts, or damages family, personal or recreational pursuits*' (Lesieur and Rosenthal 1991).¹³ The Gambling Commission refers to problem gamblers as those who gamble with negative consequences and a possible loss of control.¹⁴

'Gambling harms' (the term that tends to now be used instead of problem gambling¹⁵) is now widely seen as behaviour that exists on a continuum, with extreme, pathological presentation at

¹² Griffiths, M. (2007). Special report: gambling addiction in the UK. Breakthrough Britain: Ending the Cost of Social Breakdown.

¹³ Referenced in IPPR (2016), 'Cards on the table: The cost to government associated with people who are problem gamblers in Britain'

¹⁴ Gambling Commission (2019), 'Gambling participation in 2018: behaviour, awareness and attitudes Annual report'

¹⁵ Where 'problem gambling' is the term used in a particular study or source we will still use that terminology.

one end, very minor problems at the other, and a range of more or less disruptive behaviours in between. This behaviour is something that is likely to change, as gamblers can often move back to nonproblematic recreational playing after spells of even quite serious problems.¹⁶

There are two predominant screening instruments used (sometimes both by the same study) to estimate the prevalence of problem gambling in Great Britain: The Diagnostic and Statistical Manual of Mental Disorders, 4th Edition (DSM-IV) and the Problem Gambling Severity Index (PGSI). These measures result in some degree of consistency of results but unsurprisingly also some notable differences. For instance, the percentage of the British population identified as at-risk gamblers tends to be significantly larger according to the PGSI screening tool, compared to the DSM-IV.

The DSM-IV screening instrument is based on criteria from the fourth edition of the Diagnostic and Statistical Manual of the American Psychiatric Association (1994). This screening tool was developed as a diagnosis tool across addiction types within a clinical context (rather than being validated with the general population). It uses ten diagnostic criteria to test for a wide range of conditions and disorders, from cognitive disorders like dementia and psychosis to substance-related disorders like alcoholism and substance misuse.¹⁷ Just as the criteria used for diagnosis is debatable, so is where the threshold at which an individual is classified as a problem gambler should be set. Relatedly, there is a question of where the threshold for more severe 'pathological gambling' should be set – this can be defined as *an 'impulse control disorder that is a chronic and progressive mental illness'* (Jazaeri and Habil 2012). The DSM-IV measure has been criticised for its focus on understanding the health effects of gambling in terms of individual pathology, which then masks the true scale of the negative effects with implications for estimating the economic and social costs of harms related to gambling.¹⁸

Developed in Canada, the PGSI was specifically created for use among the general population rather than within a clinical context. Unlike the DSM, it was also designed specifically to diagnose problem gambling, rather than addictive behaviour more broadly. It consists of a set of nine items which are each assessed on a four-point scale to reach a cumulative score ranging from 0 to 27. The minimum threshold for an individual being defined as a problem gambler according to the PGSI is set at 8.

¹⁶ Griffiths, M. (2007). Special report: gambling addiction in the UK. Breakthrough Britain: Ending the Cost of Social Breakdown.

¹⁷ IPPR (2016), 'Cards on the table: The cost to government associated with people who are problem gamblers in Britain'

¹⁸ Wardle, Heather; Reith, Gerda; Langham, Erika; Rogers, Robert (2019), 'Gambling and public health: we need policy action to prevent harm', *British Medical Journal* 2019; 365

The most recent study into the prevalence rates of problem gambling in Great Britain is NatCen Social Research (2018) 'Gambling behaviour in Great Britain in 2016' which was conducted for the Gambling Commission and reported on further in Gambling Commission (2019), 'Gambling participation in 2018: behaviour, awareness and attitudes Annual report.' This research uses the 2016 Health Survey for England, Scottish Health Survey, and the Welsh Problem Gambling Survey. These health surveys cover approximately 14,000 respondents who are questioned on their gambling behaviour and the results from each survey are then compiled into a Combined Health Survey Great Britain report. Questions on gambling were also included in these health surveys in 2012 and 2015. The Gambling Commission's regular telephone survey assessing gambling participation does also include the PGSI mini-screen to estimate a problem gambling rate. However, this is less accurate than the Combined Health Survey report because of the smaller sample sizes and the use of the mini-screen rather than the full screening.

According to this latest research, in 2016 an estimated 0.7% of respondents were classified as a problem gambler according to the PGSI or DSM-IV screen. Problem gamblers are those who gamble with negative consequences and a possible loss of control. Up to 2.4% were classified as low-risk (those who experience a low level of problems with few or no identified negative consequences) and 1.1% presenting as moderate-risk gamblers (those who experience a moderate level of problems leading to some negative consequences).¹⁹ Looking at past surveys, "*the rates of problem gambling, moderate and low risk gambling have remained stable since 2012 with no statistically significant changes – meaning that whilst they are not increasing, neither are they decreasing.*"²⁰

Prior to 2010, information about gambling in Great Britain was collected through the bespoke British Gambling Prevalence Survey (BGPS), published in 2010, 2007 and 1999. The BGPS was the first nationally representative survey of its kind conducted in Britain. Prior to this, research into gambling practices and problem gambling were not considered part of mainstream health research agendas. In 2007 and 2010, the survey was conducted using both the DSM-IV and PGSI measures, while in 1999 only the DSM-IV measure was used. In 2010, the BGPS estimated rates of problem gambling among the UK adult population at 0.9% (DSM-IV) and 0.7% (PGSI).²¹ This represented a slight increase since 2007, when problem gambling prevalence was found to be 0.6% and 0.5% respectively. The PGSI estimate for the percentage of the population identified as at-risk gamblers

¹⁹ By comparison, the Commission's regular telephone survey observed a problem gambling rate of 0.5% and 3.3% being classified as low-risk and 1.5% as moderate-risk. However, as discussed above these figures are seen as less accurate.

²⁰ Connolly A, Davies B, Fuller L, Heinze N, Wardle H. (2018) Gambling in Great Britain in 2016: evidence from England, Scotland and Wales. Gambling Commission, 2018

²¹ Wardle, H. et al. (2011). 'British Gambling Prevalence Survey 2010'. London: National Centre for Social Research.

(those with a positive score on the DSM-IV or PGSI measures but below the 'problem gambling' threshold) was significantly larger than the DSM estimate (7.5% compared to 4.1%).

1.3 Structural differences in types of gambling

Gambling encompasses a diverse range of activities undertaken in a variety of settings.

*"Predominantly, gambling has an economic meaning and usually refers to risking (or wagering) money or valuables on the outcome of a game, contest, or other event in the hope of winning additional money or material goods."*²² Different gambling activities vary considerably in their structural characteristics, with certain features of games being more strongly associated with problem gambling. However, just as there are many variations in the type and nature of gambling activities, it is likely that many different factors can be involved in how and why people develop gambling problems.

Structural characteristics that vary between types of gambling include the probability of winning (or perceived probability of winning), the amount of gambler involvement, the use of the near wins (i.e., the illusion of having almost won), the amount of skill that can be applied, the continuity of the activity (i.e., the length of the interval between stake and outcome) and the magnitude of potential winnings.²³ Motivations can be divided into three main areas.

Probability of winning; amount of skill that can be applied

The results of lotteries, most slot machines and bingo are random and unpredictable, and no skill is involved. However, for sports betting and horse racing, there is some ability to predict the outcome and the use of skills and knowledge (e.g., recent form, environmental factors) can give a person an advantage over other gamblers. Such skilful activities that offer players the opportunity to use complex systems and study the odds may also contribute to excessive gambling if people overestimate the effectiveness of their own gambling systems and strategies.

Motivations for gambling; fun, escapism, winning and socialising

It has been argued that people who gamble on such activities (such as sports betting and horse racing) tend to be more intrinsically (or internally) motivated in that they gamble for self-determination (i.e., to display their competence and to improve their performance). In contrast, those who gamble on chance activities, such as lotteries, usually do so for external reasons (i.e., to win money or escape from problems).²⁴ The latest Gambling Commission research contains some

²² Griffiths, M. 2007. Special report: gambling addiction in the UK. Breakthrough Britain: Ending the Cost of Social Breakdown.

²³ Griffiths, M. 2007. Special report: gambling addiction in the UK. Breakthrough Britain: Ending the Cost of Social Breakdown.

²⁴ Griffiths, M. 2007. Special report: gambling addiction in the UK. Breakthrough Britain: Ending the Cost of Social Breakdown.

data about motivations for gambling, although not broken down by every gambling type. But it does support the notion that lottery players are more likely to have external reasons. When asked to think about the reasons why they have taken part in gambling activities in the past four weeks, 53% of National Lottery draw players said they gamble to win in general, compared to 20% saying they gamble for fun. For charities lotteries just 15% say they play to win, and 55% say they play to help good causes. Conversely, 58% of Fixed Odds Betting Terminals (FOBT) players said they gamble for fun, in contrast to 32% saying to win.²⁵

However, variations in motivation are also frequently observed among people who participate in the same gambling activity. For example, slot machine players may gamble to win money, for enjoyment and excitement, to socialise and to escape negative feelings. Some people gamble for one reason only, whereas others gamble for a variety of reasons. People's motivations for gambling do not remain stable over time, for instance, someone might initially gamble to obtain enjoyment, excitement and socialisation, and then as they progress to problem gambling, they may become increasingly preoccupied with winning money and chasing losses.

Continuity of activity: the length of gap between the buzz of winning/losing

The continuity of the gambling activity, or the length of the interval between stake and outcome is another vital structural characteristic of gambling in relation to problem gambling. In nearly all studies, it has been found that continuous activities (e.g., racing, slot machines, casino games) with a more rapid play-rate are more likely to be associated with problem gambling.²⁶ The ability to make repeated stakes in short time intervals increases the amount of money that can be lost and also increases the likelihood that gamblers will be unable to control spending. Such problems are rarely observed in non-continuous activities, such as weekly or bi-weekly lotteries, in which gambling is undertaken less frequently and where outcomes are often unknown for days. Scratch-cards, whether bought in person or online, offer immediate outcomes for low ticket prices. Research suggests that gambling activities which are readily accessible (unrestricted by event frequency or duration) and which provide instant loss/reward are more likely to facilitate variable patterns of play that can be problematic (e.g., excessive play or chasing losses).²⁷ A consistent positive relation has been found between problem gambling severity and scratch-card gambling frequency.²⁸

²⁵ Gambling Commission (2019), 'Gambling participation in 2018: behaviour, awareness and attitudes Annual report'

²⁶ Griffiths, M. 2007. Special report: gambling addiction in the UK. Breakthrough Britain: Ending the Cost of Social Breakdown.

²⁷ Parke, J., Parke, A., Blaszczynski, A. (2016) 'Key Issues in Product-Based Harm Minimisation: Examining theory, evidence and policy issues relevant in Great Britain'. The Responsible Gambling Trust.

²⁸ Strange, M. et al. (2018) 'Exploring relationships between problem gambling, scratch card gambling, and individual differences in thinking style'. Journal of Behaviour Addiction. 2018

1.4 The 'epidemiology' of gambling harms: charity lotteries in the context of the broader gambling landscape

It is widely accepted that charity lotteries occupy something of a unique position within the gambling industry.²⁹ *While they are a form of gambling, and are therefore regulated under gambling legislation, charity lotteries are intended to be primarily a means of raising money for charities and other good causes.*³⁰ The law requires a licence from the Gambling Commission, or registration with a local authority, and compliance with the licence objectives set by the Commission to keep play fair and safe. The three licensing objectives that underpin current gambling legislation and licensing are that there is: 1) adequate protection against the involvement of criminal organisations, 2) protection against harm to children and other vulnerable groups, and 3) that the gambling itself is conducted in a fair manner.

Machines in bookmakers, sports gambling, and casinos amongst most problematic forms of gambling

The highest rates of gambling harms were among those who had played machines in bookmakers (13.7%), participated in betting offline on events other than sports or horse or dog racing (13.1%), reported another gambling activity not covered by the survey question (11.6%), participated in betting offline on dog racing (9.5%) and participated in online gambling on slots, casino or bingo games (9.2%). Amongst the general public, these were all relatively low participation activities, as Table 1 shows.

The latest data showing the prevalence of problem gambling by type of gambling activity is from the Combined Health Survey for 2016.³¹ This shows the proportion of problem gamblers for individual gambling activity undertaken in the past year. Those who gamble frequently (at least once a month or more) tend to take part in a range of different activities, and the gambling activities shown are not mutually exclusive.

²⁹ M W Etches, CEO GambleAware, speech given to Lotteries Council Conference, 19 April 2018

³⁰ House of Commons Culture, Media and Sport Committee, 'Society Lotteries Fifth Report of Session 2014-15', March 2015.

³¹ Connolly A, Davies B, Fuller L, Heinze N, Wardle H. (2018) Gambling in Great Britain in 2016: evidence from England, Scotland and Wales. Gambling Commission, 2018

Charity lotteries amongst least problematic types of gambling

The Gambling Commission's data on motivations for gambling reveals the distinctiveness of charity lotteries, even in comparison to the National Lottery. When asked to think about the reasons why they have taken part in gambling activities in the past four weeks, most gamblers reported that participation was due to wanting to win in general (45%), followed by for fun and enjoyment (29%), wanting to win a jackpot (18%), and wanting to contribute to good causes (18%).³² In contrast, of those who bought tickets for a Charity Lottery or other lottery, 55% reported gambling to support good causes. This compares to 15% who bought tickets for the National Lottery draws, and 5% of those who purchased scratch-cards.³³

Since scratch-cards are sold by a range of providers, including for-profit companies as well the National Lottery and some charity lotteries, it would be interesting to see the motivation broken down by type of scratch-card. Just 5% who bought National Lottery scratch-cards did so for good causes, which reflects both the fact that they are not just sold to raise money for good causes, but also perhaps at least partly reflects the discrepancy within the National Lottery products. That is, that the proportion of sales donated to good causes is much lower for National Lottery scratch-cards compared to other National Lottery products (can be as low as 5% compared to the average of 25% across products since 1994).

It's also worth pointing out that any scratch-card run by a charity has to make a contribution of 20% to the charity, while those of the National Lottery do not. As a result, the prizes for Charity Lottery scratch-cards tend to be much smaller, in order to make the economics work, reducing the likelihood that a person at risk of gambling harms would be so motivated to play in order to win the prize.

To conclusively answer the question of whether charity lotteries create or sustain gambling harms would require extensive and robust randomised controlled trials to be conducted, as well as extensive qualitative research to help understand motivations and the causes of harmful gambling behaviour. Based on existing research, the most that can be established is the extent to which gambling harms prevalence correlates with participation in individual types of gambling. Correlation in itself is not proof of causation – it could be that particular forms of gambling cause some players to become problem gamblers, or it could be that that form of gambling is more attractive to players who already have a problem with gambling. However, if a significant proportion of problem and at-risk gamblers are taking part in a particular form of gambling, then this arguably creates an

³² Gambling Commission (2019), 'Gambling participation in 2018: behaviour, awareness and attitudes Annual report'

³³ Gambling Commission (2019), 'Gambling participation in 2018: behaviour, awareness and attitudes Annual report'

obligation on operators and/or the regulator to seek to redress this, although the appropriate steps may be debatable.³⁴

As in previous surveys, the most popular gambling activities – namely, the National Lottery draws, other (i.e. charity) lotteries and scratch-cards – had the lowest proportion of problem gamblers on all activities: between 1.0% and 1.8%. The Lotteries Council points out that the problem gambling rates are based on survey data for all those who participate, including those who also participate in other higher risk gambling activities more likely to cause problem gambling. Therefore, they argue, the actual figures for problem gambling that might be said to be *caused* by participation in lotteries may well be lower still than these figures.³⁵

Table 2: Problem gambling prevalence among those aged 16+ in Great Britain, by participation in type of gambling activity³⁶

Gambling activity	Estimates of problem gambling prevalence (calculated as all those with either a DSM-IV score \geq 3 or a PGSI score \geq 8)
<i>Lotteries and related products</i>	
National Lottery draws	1%
Scratch-cards	1.8%
Other lotteries	1.5%
<i>Machines/games</i>	
Football pools	7.2%
Bingo (not online)	3.9%
Slot machines	6.4%
Machines in a bookmaker	13.7%
Casino table games (not online)	7.4%
Poker played in pubs or clubs	8.5%
Online gambling on slots, casino or bingo games	9.2%
<i>Betting activities</i>	
Online betting with a bookmaker	2.5%
Betting exchange	5.4%
Horse races (not online)	3.3%
Dog races (not online)	9.5%

³⁴ For instance, on 1 April 2019 the maximum stake allowed on a single bet on fixed odds betting terminals (FOBTs, classified as B2 machines), was reduced from £100 to £2. There has been considerable debate about whether this will reduce gambling-related harm as intended. Large stakes are placed relatively infrequently, even by problem gamblers; and problem gamblers are found at all levels of staking. This change could also have unintended impacts; e.g. to get the same level of excitement from lower stakes, players may engage in riskier staking behaviour, or players may start playing identical games online, where there are no regulatory restrictions on maximum stakes. Discussed in Woodhouse, J. (2019) 'House of Commons Library Briefing Paper Number 06946 Fixed odds betting terminals'. 15 October 2019.

³⁵ Lotteries Council (2019). 'Response to the Department for Digital, Culture, Media and Sport Consultation on the minimum age for playing National Lottery games'. October 2019

³⁶ Connolly A, Davies B, Fuller L, Heinze N, Wardle H. (2018) Gambling in Great Britain in 2016: evidence from England, Scotland and Wales. Gambling Commission, 2018

Sports events (not online)	5.1%
Other events (not online)	13.1%
Spread betting	8%
Private betting	2.5%
<i>Other gambling activity</i>	
Any other gambling	11.6%
<i>Summaries</i>	
Any gambling activity	1.2%
Any gambling (excluding if only participated in National Lottery draws)	1.6%
Any online gambling or betting	3.5%

The base size for each row differs since individual survey participants may be included in multiple rows, depending on the activities in which they participate. Estimates are shown to one decimal place because of generally low problem gambling prevalence rates.

According to the accompanying analysis, “*due to their popularity, the actual number of problem gamblers among the National Lottery and other lottery players is higher than for overall low participation activities such as playing machines in bookmakers or betting on sports events, although there is overlap between the two groups.*”³⁷

However, when calculations are made of the approximate number of problem gamblers by gambling activity (Table 3 below) using ONS mid-year population estimates for 2016,³⁸ it is not clear that there actually are more problem gamblers among lottery users, despite the higher overall popularity of these activities. These calculations are by their nature crude, and as with Table 2, individuals often participate in more than one activity, so may be counted a number of times. But this does not matter for the sake of making comparisons between groups. The number of problem gamblers who have played machines in bookmakers in the last year is marginally higher than the number of problem gamblers who have played the National Lottery. More interestingly for this report, the number of problem gamblers among ‘other lottery’ players is halfway down the list when types of gambling activity are ranked by prevalence of problem gamblers.³⁹ In contrast, a forthcoming study from Australia has countered this argument on lottery and scratch-cards, arguing that in fact they are more likely to produce gambling harms than is typically realised.⁴⁰

³⁷ Connolly A, Davies B, Fuller L, Heinze N, Wardle H. (2018) Gambling in Great Britain in 2016: evidence from England, Scotland and Wales. Gambling Commission, 2018

³⁸ The estimate of 51,783,821 for mid-year 2016 population aged 16+ of Great Britain was based on ONS figures accessed at <https://stats.wales.gov.wales/Catalogue/Population-and-Migration/Population/Estimates/nationallevelpopulationestimates-by-year-age-ukcountry>

³⁹ 11th out of 20 when ‘any gambling’ and ‘any gambling excluding if only participated in National Lottery draws’ are excluded, since these are not comparable ‘types’ of gambling activity.

⁴⁰ Gambling-related harm attributable to lottery products. Addictive Behaviours, vol 9, October 2020 <https://doi.org/10.1016/j.addbeh.2020.106472>

Table 3: Problem gambling by gambling activity type, ranked by approximate number of problem gamblers

Gambling activity	Participation in activity in the past 12 months amongst total population	Approximate number of participants	Prevalence of problem gambling amongst participants in that gambling activity in last 12 months	Approximate number of problem gamblers by gambling activity
Any gambling activity	57%	29,516,778	1.2%	354,201
Any gambling (excluding if only participated in National Lottery draws)	42%	21,749,205	1.6%	347,987
Machine in bookmakers	3%	1,553,515	13.7%	212,832
National Lottery draws	41%	21,231,367	1.0%	212,314
Slot machines	6%	3,107,029	6.4 %	198,850
Scratch-cards	21%	10,874,602	1.8%	195,743
Any online gambling or betting	9%	4,660,544	3.5%	163,119
Horse races (not online)	9%	4,660,544	3.3%	153,798
Online gambling on slots, casino or bingo games	3%	1,553,515	9.2%	142,923
Sports events (not online)	5%	2,589,191	5.1%	132,049
Casino table games (not online)	3%	1,553,515	7.4%	114,960
Football pools	3%	1,553,515	7.2%	111,853
Other lotteries	14%	7,249,735	1.5%	108,746
Online betting with a bookmaker	8%	4,142,706	2.5%	103,568
Bingo (not online)	5%	2,589,191	3.9%	100,978
Dog races (not online)	2%	1,035,676	9.5%	98,389
Other events (not online)	1%	517,838	13.1%	67,837
Any other gambling	1%	517,838	11.6%	60,069
Private betting	4%	2,071,353	2.5%	51,784
Poker played in pubs or clubs	1%	517,838	8.5%	44,016
Spread betting	1%	517,838	8.0%	41,427
Betting exchange	1%	517,838	5.4%	27,963

As with Table 2, individuals can participate in multiple activities, therefore individual survey participants may be included in multiple rows, depending on the activities in which they participate. Its also worth pointing out that participation is not causation. In other words, the percentage figures for each activity reflect the numbers for each activity who have a gambling problem, not the percentage for each gambling activity that are caused by that activity (which is of course much harder to determine). We will return to this later.

Problem gamblers take part in multiple gambling activities

Consistent with previous surveys, the Combined Health Survey found that the prevalence of problem gambling increases with the number of gambling activities participated in. The lowest proportion of problem gamblers was found among people who had taken part in just one type of gambling activity (0.3%), or two or three activities (0.4%) in the last year. The proportion increased to 3.2% of those who had taken part in four to six activities, and to 13.2% among those who had participated in seven or more activities in the past year.⁴¹

The 2010 British Gambling Prevalence Survey (BGPS) found that participating in particular forms of gambling is more likely to correlate with participation in many types of gambling activity. For instance, 48% of past year poker players had taken part in seven or more activities in the past year, whilst just 4% of those who had bought tickets for the National Lottery Draw in the past year had done this. Moreover, whilst 20% of those who played poker in the past year and had also taken part in at least six other activities were problem gamblers, just 1.4% of those who played poker but did not take part in as many other gambling activities were problem gamblers.⁴²

Nevertheless, given the scale of the lottery sector it is likely that a significant proportion of problem gamblers participate in lottery games alongside other types of gambling. However, this does not entail that the lottery sector is causing or contributing to problem gambling. Given the popularity of the National Lottery, Camelot estimate that over 90% of problem gamblers play the National Lottery.⁴³ Nevertheless, they maintain that “*because of the nature and style of our games, it is very unlikely that National Lottery games directly drive their problematic behaviour. For example, just 2% of calls to the GamCare helpline referenced scratch-cards as problematic in 2017/18, and 0% mentioned National Lottery draw games.*”⁴⁴ This argument seems equally likely to apply to charity lotteries, or any other draw-based fundraising games with a significant lead time, where the proportion of problem gamblers participating is also considerably lower.

⁴¹ Connolly A, Davies B, Fuller L, Heinze N, Wardle H. (2018) Gambling in Great Britain in 2016: evidence from England, Scotland and Wales. Gambling Commission, 2018

⁴² Wardle, H. et al. (2011). ‘British Gambling Prevalence Survey 2010’. London: National Centre for Social Research.

⁴³ House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry (2020) ‘Uncorrected oral evidence: Social and Economic Impact of the Gambling Industry’. 28 January 2020

⁴⁴ <https://www.gamcare.org.uk/app/uploads/2019/03/GamCare-Annual-Statistics-2017-18.pdf> Discussed in Camelot UK Lotteries Ltd. (2019), written submission to the House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry

Charity lotteries have none of the features that create problem gambling

As discussed above, lotteries have a number of structural features, (such as a comparatively long interval between point of purchase of a ticket and discovering the outcome), along with the low prevalence rates of problem gamblers among participants that make it reasonable to conclude that they are low risk. Charity lotteries are regulated in line with the provisions of the 2005 Gambling Act, which includes the objective to '*Protect children and other vulnerable persons from being harmed or exploited by gambling.*' The Gambling Commission, as official regulator, says that charity lotteries are '*considered to be low risk in terms of the licensing objectives set out in the Act.*'⁴⁵

However, it is important to take into account the evolution of the lotteries sector and the promotion by some charity lotteries of 'instant-win' products, such as scratch-cards and online games. Whilst scratch-cards have a problem gambling prevalence of just 1.8%, there has recently been a move towards higher risk online 'scratch-card games.' These seem to be closer to the category 'online slots, casino or bingo games,' which has the fifth highest problem gambling prevalence (9.2%) of the activities listed. Again, it's worth re-iterating that National Lottery scratch-cards don't have to make a minimum contribution according to the legislation, while any scratch-card run by a charity has to make a minimum of 20% contribution.

It should be highlighted that the prizes offered by online Charity Lottery games are much lower than those offered by gambling companies, as charity lotteries are committed, by law, to giving a minimum of 20% to good causes. Furthermore, currently instant win games are estimated to make up only a very small proportion of Charity Lottery sales. In 2017/18 the National Lottery draw-based games channel generated sales of £4.1bn and the instant win game market generated sales of £2.8bn. In comparison, in 2017/18 total Charity Lottery sales were an estimated £683m, of which it is estimated that just £8m came from instant win games in 2017 and this reduced to £5.4m in 2018.⁴⁶

⁴⁵ Gambling Commission (2017), 'Review of society lotteries advice'. October 2017.

⁴⁶ <https://www.gamblingcommission.gov.uk/news-action-and-statistics/Statistics-and-research/Statistics/Industry-statistics.aspx> ; discussed in 'Annex C - Society Lotteries'; Department for Digital, Culture, Media & Sport, (2019) 'Consultation on the minimum age for playing National Lottery games'. 16 July 2019

Part 2: Reducing gambling-related harm

2.1 Funding research, prevention and treatment to reduce gambling-related harm

The Gambling Commission's Social Responsibility Code Provision 3.1.1.(2) specifies that all *"Licensees must make an annual financial contribution to one or more organisation(s) which are approved by the Gambling Commission, and which between them deliver or support research into the prevention and treatment of gambling-related harms, harm prevention approaches and treatment for those harmed by gambling..."*

Neither the amount of this contribution, nor its recipients are specified, however, it is indicated that contributing to GambleAware (or one of the other approved organisations) is an effective way to fulfil this requirement and the vast majority of operators donate to GambleAware. GambleAware is an independent charity which has a framework agreement with the Gambling Commission to deliver the National Strategy to Reduce Gambling Harms, which is currently funded through voluntary donations by industry.

GambleAware is tasked to fund and commission core elements of research, prevention and treatment to broaden public understanding of gambling-related harms as a public health issue, to advance the cause of prevention of such harms, and to help those that do develop problems get the support and help that they need quickly and effectively. To do this work, the Advisory Board for Safer Gambling (ABSG)⁴⁷ estimates that collectively the approved list of organisations⁴⁸ (including the largest, GambleAware) is required to raise a minimum of £10m annually from the gambling industry.

Consequently, GambleAware currently ask all those who profit from the gambling industry in Britain to donate a minimum of 0.1% of their annual Gross Gambling Yield (GGY). From April 2019 to March 2020 GambleAware received voluntary donations of £13.63 million (excluded donated services or media) for the financial year up from £10.05m in the previous 12 months. Nevertheless, it is widely recognised both that the gambling industry has consistently failed to meet the suggested 0.1% of GGY by a significant margin, and that the cost of funding research, prevention and treatment in the future will increase significantly.⁴⁹ A recent BMJ analysis piece has argued that prevention and treatment of gambling related harms in Britain is woefully under-resourced

⁴⁷ In 2019 the Responsible Gambling Strategy Board (RGSB) was renamed the Advisory Board for Safer Gambling (ABSG) as part of a renewed focus on the safety of consumers and prevention of harm.

⁴⁸ The list of approved organisations can be found here: <https://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/General-compliance/Social-responsibility/Research-education-and-treatment-contributions.aspx>

⁴⁹ Gambling Commission (2018), 'Reviewing the research, education and treatment (RET) arrangements'

and needs urgent attention.⁵⁰ Furthermore, calculations of the social costs of gambling in Britain which focus only on costs generated by the small number of individuals categorised as problematic are likely to be major underestimates, ignoring burdens placed on the health, welfare, and judicial systems.⁵¹ Estimates of social costs range between £200m and £1.2bn a year.⁵² Comparing research, prevention and treatment expenditure per problem gambler internationally, the Gambling Commission found that Great Britain is far behind various jurisdictions considered in Canada, Australia and New Zealand.⁵³ For the last three years, the annual budget for the prevention of gambling harms in New Zealand was over \$NZ18m (£9.3m) for a population of 4.7m.⁵⁴

In 2017-18 in Britain (population 65m), £8m was spent on gambling research, prevention, and treatment; less than £1.5m was spent on prevention activity.⁵⁵ Wardle et al. note that the costs of gambling are likely to considerably outweigh the benefits (in terms of tax revenues), indicating that it actually costs societies more to not systematically address gambling harms.⁵⁶ Nevertheless, the question of the appropriate level of funding required for research, prevention and treatment is beyond the scope of this paper.

2.2 Charity lotteries and funding for research prevention and treatment

The Gambling Commission's 2018 review of RET arrangements makes no specific mention at all of charity lotteries and their particular contribution.⁵⁷ GambleAware maintain that the lottery sector's current contribution to the voluntary levy is unsatisfactory. GambleAware have criticised Camelot for donating £300,000 as opposed to the £712,500 that they requested from Camelot in 2017.⁵⁸ GambleAware have requested charity lotteries and external lottery managers donate 0.1% of their gross gambling yield (or GGY), meaning total lottery proceeds minus prizes and contributions to good causes, so taking their contributions to good causes into account. The sector have questioned whether it is appropriate that they are subject to the same percentage as betting companies given both the lower problem gambling risk and the charitable purpose of the Charity

⁵⁰ Wardle, Heather; Reith, Gerda; Langham, Erika; Rogers, Robert (2019), 'Gambling and public health: we need policy action to prevent harm', *British Medical Journal* 2019; 365

⁵¹ Wardle, Heather; Reith, Gerda; Langham, Erika; Rogers, Robert (2019), 'Gambling and public health: we need policy action to prevent harm', *British Medical Journal* 2019; 365

⁵² Thorley C, Stirling A, Huynh E. (2016) 'Cards on the table—the cost to government associated with people who are problem gamblers in Britain.' IPPR.

⁵³ Gambling Commission (2018), 'Reviewing the research, education and treatment (RET) arrangements'

⁵⁴ New Zealand Ministry of Health (2016) 'Strategy to Prevent and Minimise Gambling Harm 2016/17 to 2018/19'

⁵⁵ GambleAware (2018). GambleAware annual review 2017/18.

⁵⁶ For instance, in Victoria, Australia, total tax revenue from gambling was \$A1.6bn while estimated social costs were \$AUS 6.97 billion, a net deficit of \$AUS 5.4 billion. Discussed in Wardle, Heather; Reith, Gerda; Langham, Erika; Rogers, Robert (2019), 'Gambling and public health: we need policy action to prevent harm', *British Medical Journal* 2019; 365

⁵⁷ Gambling Commission (2018), 'Reviewing the research, education and treatment (RET) arrangements'

⁵⁸ Etches, M. (2018) 'Evidence given by Camelot to the PAC on the 24th January 2018', letter to Hannah Wentworth (Committee of Public Accounts, House of Commons)

Lottery sector – an issue we will return to later. The Charity Lottery sector has long had the concern that to increase contributions to gambling related charities would effectively just result in a corresponding decrease in their contribution to the charities they exist to support – e.g., hospices, air ambulances etc. There is also concern that by doing this they would be allowing these charities to effectively subsidise the practices of the large betting companies thought most likely to cause problem gambling.

GambleAware's CEO, Marc Etches, maintains that "*the lotteries sector has a particular responsibility when it comes to the promotion of safer gambling and the protection of your players.*"⁵⁹ He argues that this is because lottery products have the highest participation rates and because problem gamblers are more likely to play on multiple products, therefore the lottery sector has more contact with them than any other gambling sector, and so more opportunities to intervene. Firstly, it is not clear that the evidence does show that charity lotteries have considerably more contact with problem gamblers. Looking at the approximate number of problem gamblers by gambling activity (Table 3 above) indicates that the number of problem gamblers among Charity Lottery players ranks 11th out of 20 different types of gambling activity.⁶⁰

Most importantly however, just because the lotteries sector has participants who have problems with gambling does not entail that they "*have a particular responsibility to promote safer gambling.*" Etches' claim that "*it is too narrow to look at this simply from a perspective of causation*"⁶¹ seems vastly unfair, and fails to acknowledge that expecting charity lotteries to compensate for problems caused by profit-making gambling companies will adversely affect the fundraising aims of charity lotteries. As we have seen, there is considerable evidence of the relative low-risk of lottery products and the low prevalence rates of problem gamblers in this sector.

2.3 The need for a levy that is proportionate to gambling harms

In recognition of the need for greater funding for research, prevention and treatment to reduce gambling-related harm, as well as dissatisfaction regarding the current voluntary levy of 0.1% GGY, a number of alternative suggestions have been made.

The Labour Party in their 'Review of Problem Gambling and Its Treatment' (2018) has argued that the current voluntary levy is unsustainable given the number of gambling operators who either

⁵⁹ Etches, M. W. (2018), CEO GambleAware, speech given to Lotteries Council Conference, 19 April 2018

⁶⁰ This is excluding 'any gambling' and 'any gambling excluding National Lottery draws' as these categories are not comparable 'types' of gambling activity.

⁶¹ Etches, M. W. (2018), CEO GambleAware, speech given to Lotteries Council Conference, 19 April 2018

'free-ride' or donate only token amounts, and that "the objectives of the *'National Problem Gambling Strategy'* are unlikely to be met under the current recommended funding level" and recommends replacing it with a mandatory levy of 1% of GGY.⁶²

Within the gambling industry there has also been support for a mandatory levy. In 2017, the then Remote Gambling Association (RGA)⁶³ urged the Government to introduce a statutory levy to replace the current system of voluntary funding. *"More funding is needed if we are to fulfil our responsibilities to everyone in this country who gambles, and especially those who are affected by problem gambling. A statutory levy will ensure the right funds are raised in a fair and open process and, crucially, that they are allocated in a way that is transparent, independent, and achieves measurable benefits."*⁶⁴

The recent House of Lord's Select Committee on the Social and Economic Impact of the Gambling Industry's call for evidence included questions regarding the levy, eliciting a range of views.⁶⁵ In contrast to the RGA, the Betting and Gaming Council (BGC) argued in its written evidence to this committee that *"the current system does indeed appear to be working in achieving official targets for funding RET"* and *"voluntary commitments by the largest operators to increase funding suggests that the voluntary scheme can be relied upon to achieve not simply current funding requirements but also a substantial and sustained increase in funding requirements."*

The BGC cautions that while *"a statutory levy may appear a straightforward policy measure to address funding,"* it may have downsides. For instance, it would invariably incur administrative costs to the state and to industry, and the shift from voluntary to mandatory may *"result in a diminution of engagement and innovation as there are advantages to a system built on intrinsic motivation rather than coercion."*⁶⁶

Others from within the gambling industry were more supportive of a mandatory levy, but maintain that it must be a 'smart' levy. Thus, the Gauselmann Group wrote that, *"we would support the introduction of a mandatory levy if there was a 'smart levy' which reflects the relative contribution to gambling related harm associated with different products. It is unreasonable for non-contentious and relatively harmless forms of gambling such as the public health lottery or providers of seaside amusements (such as penny falls machines and teddy bear cranes) or Bingo clubs to pay a levy at*

⁶² Watson, T, Ashworth, J, Murphy, D. (2018) 'Labour Party Review of Problem Gambling and Its Treatment'

⁶³ The Remote Gambling Association no longer exists, and is now the Betting and Gaming Council.

⁶⁴ Simmons, Robert (2017) 'Remote Gambling Association calls for statutory levy'. Gambling Insider

⁶⁵ This Select Committee (appointed in June 2019) included questions regarding the effectiveness or otherwise of the voluntary levy and whether alternatives might be preferable in its call for evidence. Before the committee ceased to exist following the dissolution of Parliament in November 2019, 10 pieces of oral evidence and 94 pieces of written evidence were submitted.

⁶⁶ Betting and Gaming Council (2019), written submission to the House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry

*the same rate as say online casinos or sports betting sites, where there is no limit on stakes and prizes.*⁶⁷

The lottery sector has also made a persuasive case for the need for a smart levy. The current ‘one size fits all’ voluntary levy risks the lower-risk Charity Lottery sector subsidising the problematic practices of some higher-risk gambling companies. This has the effect of diverting funds from good causes to tackle gambling-related harm caused by the products of highly profitable gambling companies. In their evidence to the House of Lords Select Committee, both the Lotteries Council and the People’s Postcode Lottery agreed that any levy related to problem gambling “*should be based on causation, not on Gross Gambling Yield or other measure.*”⁶⁸

Speaking of her scepticism that gambling companies can be relied upon to pay towards treatment in acknowledgement of the harm they have caused, Carolyn Harris MP, Chair of the All-Party Parliamentary Group on Gambling Related Harm, has referred in Parliament to the need for consideration of a “polluter pays” levy.⁶⁹ Tom Watson, former Shadow Secretary of State for DCMS, has also spoken of the need for a levy to be a “smart levy” to address this point. We’re not so sure about the term ‘smart’ as what is needed is not that complicated or clever: it’s just a levy that is proportionate to the likely harms caused by the gambling that an organisation runs. This document will use the term ‘proportionate levy’. This would mean a levy tiered on the basis on the level of gambling harm generated among participants, just as a ‘polluter pays’ levy is done on the basis of the level of pollution caused.

2.4 How could a proportionate levy work in practice?

A precedent for this approach has been set by the operation of a proportionate levy in New Zealand. In New Zealand reducing harm from gambling is a legislative requirement, and a responsible gambling levy imposes different costs based upon different assessments of risk. The levy is calculated using rates of player expenditure (losses) on each gambling subsector and rates of client presentations to problem gambling services attributable to each gambling subsector – so reflecting money lost and associated harm.⁷⁰

⁶⁷ Gauselmann Group (2019), written submission to the House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry

⁶⁸ Lotteries Council (2019) and People’s Postcode Lottery (2019), written submissions to the House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry

⁶⁹ Hansard 4 July 2019 <https://hansard.parliament.uk/Commons/2019-07-04/debates/47434DFE-7C2F-4F27-8413-29C9B8D7312F/DigitalCultureMediaAndSport>

⁷⁰ Atherton, F. (2019), Chief Medical Officer for Wales, written submission to the House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry

New Zealand has four levy-paying sectors but with the highest being less than twice than the lowest.⁷¹ This provides some useful insight, but of course the purpose of charity lotteries is to raise funds for good causes: the more the better. So, on the basis of the New Zealand approach of a levy proportionate to the losses of a gambler, charity lotteries might not fare so well. A core component of any proportionate levy that is designed to fund research, prevention and treatment of gambling harms, is that the levy is proportionate to the harms that the gambling causes.

The more diverse gambling market in Britain would make a proportionate levy more complex than in New Zealand, and it would be essential that it was underpinned by robust empirical research.⁷² A proportionate levy or 'polluter pays' levy would need to be evidence-based and related to levels of the causation of gambling harms. One way in which to establish it would be to identify triggers of problem gambling from empirical research and match them against gambling products. Triggers might include the frequency of gambling, the amount gambled in a short period, the time of gambling, the length of gambling over one particular period, re-staking large wins almost immediately. Such an approach could utilise existing research, such as PwC's comprehensive and broadly applicable framework for identifying problem gamblers across the online gambling sector in Great Britain, using data common to the five largest online gambling operators and validated across those operators.⁷³ The PwC research identified 39 daily-triggers allowing operators to investigate and intervene, with tailored interventions (e.g. monitor, message, limit, freeze) based on different risk thresholds recommended.

The reality though is that there is not enough research, particularly qualitative research with those who suffer from the harms of gambling, to understand how different types of gambling contribute to harm. Simple participation rates or GGY is clearly an unfair basis on which to calculate levies. To be fair a levy needs to ask for contributions in proportion to the level of harm.

It's hard not to see charity lotteries and the charities they support as the biggest victims of any '*one size fits all*' approach to a gambling levy based on a straight percentage of gross gambling yield or revenue. Charity lotteries are caught up in a regulatory framework designed for others, which is singularly unsuited to the very limited contribution of lotteries to harm from gambling. Our conclusion is that a proportionate levy, in which there were a range of contribution tiers, from well below to 0.1% to well above, would make far more sense and be far more equitable. Put another way, it can only be an injustice that charity lotteries where less than 2% of players have any kind

⁷¹ The most recent levy rates (which came into on 1 July 2019) are: gaming machine operators (0.78% of player expenditure); casinos (0.56% of player expenditure); New Zealand Racing Board (0.52% of player expenditure) and the New Zealand Lotteries Commission (0.43% of player expenditure).

⁷² Leyland, Francesca (2019) 'Mo Money Mo Problems – the debate over funding for harm prevention' Regulus Partners Blog

⁷³ PricewaterhouseCoopers (2017), 'Remote Gambling Research: Interim Report on Phase II'. August 2017. Gamble Aware.

of gambling problem pays the same percentage contribution as all the forms of gambling where more than 10% of players have a gambling problem. Worse still the use of GGY also disproportionately penalises charities where the level of prizes is typically low as a percentage of total costs, as we discuss in the next section.

2.5 A tiered levy is needed for funding gambling harms

There are two factors that come to make up any levy designed to fund research, prevention and treatment: the proportion of people for whom the gambling they take part in causes them harm, and the absolute number of people who that affects.

We propose that the number of people that are affected is **not** best represented by the gross gambling yield (GGY⁷⁴) of a gambling activity. We suggested using simply the turnover of any gambling activity, as it's not clear why the level of prizes should reduce the amount of a levy. Indeed, the opposite could be argued. Higher levels of prizes provide a greater level of incentive to gamble: why should that mean a lower levy contribution? Equally for a small charity whose lottery prizes are donated using GGY provide an additional complication of calculating the values of those prizes.

The first element of our proposed proportionate levy is the turnover of the gambling activity. If a charity sold £20,000 of tickets from its lottery its levy would be based on that turnover of £20,000.

The second element is the percentage that should be levied on that turnover. Table 2 summarises the percentage of people who have gambling related harms and the number who take part in different gambling activities. However, participation is not the same as causing gambling harms. We would suggest a tiered levy is appropriate based on the level of gambling harms that are caused. This might mean a range of percentages from a tenth of the current levy of 0.1% to ten times the current levy. The percentage for these tiers would need to be regularly reviewed and updated using an independent research mechanism.

As the current level is 0.1% of GGY then any proportionate levy needs to balance out roughly to the same or slightly higher level of total contribution. As our proposal includes the value of prizes, this sets a higher total turnover than GGY. So, if all gambling licensees paid 0.1% of their turnover, rather than of GGY then more funds would be generated. This however does not make the levy proportionate or fair.

⁷⁴ GGY is the total income from stakes and any other income less prize money and excluding taxes. More detail here: <https://www.gamblingcommission.gov.uk/for-gambling-businesses/Apply-for-a-licence/How-to-calculate-your-gross-gambling-yield-GGY.aspx>

It would be tempting for us to propose a tiered levy of this sort. Unfortunately, there is not sufficient evidence to justify using simply participation levels, or the percentage of participants who exhibit gambling harms (as set out in table 2) as the basis for these tiers. This is because neither participation levels, nor percentages of those exhibiting gambling harms, is the same as evidence that a type of gambling causes harm *'ab initio.'* More detailed research is desperately needed to understand how different types of gambling cause or contribute to harm (and how that harm can be mitigated within the gambling activity). Without that research any proposal for a tiered levy would only be inaccurate and misleading. We believe it is the role of the Gambling Commission to carry out the research necessary to form the basis of a sound and credible strategy for a fair levy system on gambling harms.

2.6 A proposal for a code of best practice on problem gambling for charity lotteries

It might be easy to imagine that given the low levels of causation of problem gambling by charity lotteries then the organisers of them can rest on their laurels. We take the opposite view. There is a range of clear, and in many cases simple, steps that the organisations who run charity lotteries can take to minimise the risks of players developing problem gambling behaviour. Our proposal is that all members of the Lotteries Council be asked to sign up to a code of best practice that works to reduce the likelihood of problem gambling behaviour. Any code of best practice should only be introduced after consultation with the members of the Lotteries Council, under the direction of a Lotteries Council working group.

The areas that we would suggest might be within a code of best practice are:

- All organisations should carry out an audit of all games of chance to understand their size, scale and player profiles and then create an action plan to minimise any risks of problem gambling occurring.
- The design of new and existing games should be reviewed to see if there any aspects that might encourage problem behaviours, or ways in which any risks can be reduced or mitigated. The idea would not be to automatically compromise the fundraising potential of any game of chance, but to minimise gambling harm if at all possible, without impacting on income generation. The evidence from this report is that many forms of lottery can minimise the likelihood of gambling harm while having no impact on fundraising.
- All organisations' action plans should be published within a year of the code being launched and made public.
- Wherever possible, encourage player registration so that player behaviour can be monitored and where necessary discussed with the players or other remedial steps taken.

- Make players aware of GambleAware and the risks of gambling and how to spot them and address them.
- Differentiate between the risks from different products such as scratch-cards vs lotteries vs prize draws and have different risk reduction strategy for each.
- Where possible and appropriate limit prize size, emphasise the funds going to good causes, and try to make the gap between playing a game of chance and winning/losing as long as possible: days are better than hours, and weeks are better than days. Again, the proposal is not to reduce fundraising per se, but for those who organise games of chance that raise money for good causes to be aware of the factors that are likely to cause gambling harms and take them into account.
- Train staff (and volunteers) in relation to problem gambling and its causes and the RET process so they are aware of the reason behind the action plan and how it can be embedded in the organisation's behaviour. It would be appropriate for the Lotteries Council to run and/or approve training programmes.
- Contribute to a proportionate levy once introduced.

At all stages of this process, we would encourage the Lotteries Council to make any reviews and codes of practice as easy to complete as possible. This would be done by creating template reviews and protocols, setting up training programmes, and providing examples and suggestions for how games of chance which raise money for good causes minimise the likelihood of gambling harms.

Conclusions

Gambling is undeniably highly prevalent throughout society, with 46% of adults saying that they had gambled at some point in the last 4 weeks in 2018. As we have seen, the most popular forms of gambling are the National Lottery, followed by scratch-cards and other lotteries. However, for problem gamblers, it appears that the choice of gambling activity is almost the reverse. The less popular gambling activities for the general public are more likely to appeal to the problem gambler. Hence, problem gambling has the lowest prevalence among the most popular overall choices of gambling activity.

As the Institute of Fundraising maintains, *"the impact of any form of gambling, however soft, is ... rightly a subject of concern for legislators. However, it is significant to note that society lotteries can be considered as one of the safest forms of gambling."*⁷⁵ The evidence is clear that participation in charity lotteries, like the National Lottery, is significantly lower risk, even negligible, in comparison to participation in a number of other types of gambling. Prevalence figures indicate that problem gambling among Charity Lottery players is and has remained low over time.

⁷⁵ Institute of Fundraising (2015) 'Response to DCMS Call for Evidence: Society Lotteries', March 2015

It therefore seems only appropriate that any levy for funding research, prevention and treatment takes the form of a proportionate levy, along with the expectation of other steps to protect participants. Both should be proportionate to the level of risk incurred.

Current concerns relate to the potential for change within the Charity Lottery sector. The former Chief Executive of the Gambling Commission, Sarah Harrison, has argued that, "*the lotteries sector ... is evolving quickly, with more diverse channels and products, and many of you now successfully promoting instants-style products. ... [This] changes the hierarchy of harm as society lottery products move away from play that is lower risk (in relation to the licence objectives) towards more mainstream gambling products ... While the prevalence of problem gambling in this sector may be relatively low, you have a real opportunity – and a responsibility - to promote responsible participation as your market changes and grows.*"⁷⁶ Whether these concerns about the changing nature of charity lotteries change its low-risk nature remains to be seen. It should be acknowledged that the current estimated turnover from higher risk instant win or scratch-card games for charity lotteries is currently extremely low.

Our proposal for a proportionate levy would have the benefits of not just taking into account differences between the lottery sector and wider gambling sector, but would also apply within the Charity Lottery sector reflecting the variation in size and type of products promoted. There is already a tendency for charity lotteries to get the worse, rather than the best of both worlds. They get caught up in the legislation and regulation that is designed for the commercial sector (for example the lottery registration process or the GGY formula) as well as having their own separate regulation (such as the 20% contribution rule). It is both a shame and a literal cost on charities that the levy on gambling harms follows this pattern: they are expected to pay a levy as if they were a bookmaker or a casino, despite the very low level of evidence for gambling harms. Unfortunately, the research evidence to underpin a proportionate levy is incomplete. Without this evidence it is hard to see how a new levy arrangement that follows the 'polluter pays' approach can make progress.

Even without a proportionate levy we believe that a code of best practice for Charity Lottery and scratch-card operators would help ensure that all those organisations which ran charity lotteries and scratch-cards were nonetheless exploring all possible routes for minimising gambling harm among their players. This would demonstrate to the gambling sector, and to players, that charity lotteries take the harm to players seriously, as well as reinforcing to players the risk of gambling harms.

⁷⁶ Harrison, Sarah (2017), Chief Executive, Gambling Commission. Speech given to Lotteries Council Annual Conference, 10 May 2017

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About nfpSynergy

nfpSynergy is a leading research consultancy in the UK that provides high quality market research and consulting services exclusively for charities and non-profits. From our origins in syndicated tracking research on public attitudes for non-profit clients, we have grown our portfolio to include several key audiences as well as tailored research and consultancy programmes. Our aim is to provide ideas, insights and information that help non-profits thrive.

We run both syndicated and bespoke research to help charities of all sizes understand their audiences and the positioning and performance of their brand activities. We have been tracking audience engagement with charity brands for over 15 years and have expertise in setting key questions for brand engagement through our Charity Awareness Monitor (CAM) and Charity Brand Evaluator (CBE) models.

Our tracking surveys monitor the attitudes and opinions of stakeholder groups relating to the not for profit sector. In addition to our ongoing research programmes that track the general public's awareness and engagement across the charity sector, we have developed:

- Charity Parliamentary Monitor (CPM) – tracking perceptions with MPs and peers
- Journalist Attitudes and Awareness Monitor (JAAM) – with journalists
- Primary Healthcare Monitor (PHM) – with primary healthcare professionals
- Syndicated tracking studies on the general public in Scotland, Northern Ireland, Wales and the Republic of Ireland.

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