



The Money Charity Response - Gambling Commission Call for Evidence on Gambling with Credit Cards (May 2019)

The Money Charity (TMC) welcomes the opportunity to comment on the Gambling Commission's call for evidence on gambling with credit cards.

As explained in the box on the back page of this response, we are a financial capability charity whose vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives.

Complementing our financial capability work we engage with financial services policy, as the design, pricing and methods of selling financial products have a direct bearing on people's ability to behave in financially capable ways. Each year around 2000 adults from a diverse range of audiences (employees, migrants, people from minority communities, prisoners, Travellers etc), some of whom are struggling on squeezed budgets, attend our financial capability workshops. The experiences we hear in these workshops contribute to informing our policy responses.

Use of a credit card can be an aspect of problem gambling, so we welcome the Gambling Commission's scrutiny of the practice. We suggest a number of practical ways to reduce or prevent the use of credit cards for gambling in situations where credit card use is associated with problem gambling.

Key Points

- We agree that gambling using a credit card can be an aspect of problem gambling, but we are not at this stage convinced by the case for a ban. This is because of the number of ways a ban could be avoided, some leading to potentially worse forms of debt than using a credit card. We think that the issue of gambling with a credit card should be looked at as part of a review of the use of all forms of credit for gambling.
- Instead of a ban, we propose a suite of measures for introducing friction in the use of credit cards for gambling, which would make it harder for the consumer to engage in problem gambling using a credit card.
- As part of an overall approach to the use of credit for gambling, we think the industry should improve its data-diagnostic tools, so that it can intercept and prevent problem gambling before it gets to an extreme level.
- We propose that there should be a clearly signposted complaints process so there is a clear path for consumers to complain about firms that fail to prevent problem gambling.

Responses to Consultation Questions

Qs1-3: Identity and email address

See cover page and accompanying email.

Q4: Privacy notice

We CONSENT to the publication of the name of The Money Charity to indicate that we responded to this consultation.

Q5: Do you have any comments on the risks and concerns associated with gambling with credit cards?

We agree that use of a credit card is a risk factor in problem gambling. For those gamblers with an addiction or a propensity to over-gamble, being able to use a credit card for gambling can seriously add to problem debt, undermining or destroying the habits of good financial management that we try to encourage in our financial capability work. For this reason, we welcome the Gambling Commission's scrutiny of the issue. We are keen to see friction introduced into the use of credit cards for gambling, to help users avoid problem gambling and problem debt.

While use of a credit card is a risk factor, we note from the statistics presented in the consultation paper, that there is not a complete correlation between use of credit cards and problem gambling. It is reported that 43% of problem gamblers have used a credit

card for gambling, but only 22% of those that have used a credit card for gambling are reported to be problem gamblers. This implies that nearly four fifths of those who have used credit cards to gamble have not fallen into problem gambling, which weakens the argument for a complete ban.

The statistics reported in the consultation paper suggest there is a stronger correlation between problem gambling and the use of overdrafts or payday loans. This means that care must be taken to consider how problem gamblers would respond to a ban on the use of credit cards – whether they would instead resort to cash withdrawals on their credit card, overdrafts or payday loans, which could carry higher interest rates and charges than using a credit card.

Q6: Do you have any comments whether, on balance and given those concerns, the Commission should consider prohibiting or restricting credit cards for gambling?

Gambling with a credit card is part of a wider problem of gambling using credit. From the statistics quoted in the consultation paper it appears that payday loans and overdrafts are in fact more strongly associated with problem gambling than use of a credit card. For this reason, we think that gambling with a credit card should be looked at as part of a review of the use of *all* forms of credit for gambling.

In the absence of wider measures, we think a ban on credit card gambling would be too easy to evade. We are therefore not convinced by the argument for a ban at this stage.

Instead, we suggest a package of measures to introduce friction into the use of credit for gambling purposes.

These are set out in our answer to Question 8.

Q7: Do you have any comments on the potential pitfalls of prohibiting or restricting the use of credit cards for gambling?

As indicated above, we are concerned that a ban on the use of credit cards for gambling may be too easy to avoid, and that alternatives – such as cash withdrawals on a credit card, overdrafts or payday loans – might be worse. What is needed, we think, is a package of measures that in combination make problem gambling more difficult, by triggering restrictions on all forms of borrowing and payment associated with problem gambling. This will require action by credit card companies, banks and gambling firms to better detect problem gambling and put in place a suite of preventative measures.

Q8: Do you have evidence or suggestions for any measures that could act as alternatives to a prohibition on credit card use for gambling, and which could

provide more effective protection to consumers who are at risk of harm due to gambling with money they cannot afford?

We suggest the following measures:

- The default setting should be that credit cards cannot be used for gambling purposes. Attempts to gamble with a credit card that has not been “opted in” should be automatically declined.
- A consumer should be required to “opt in” to using their credit card for gambling purposes.
- The “opt in” process should be via a call to the credit card issuer, during which call the issuer warns the user of the dangers of gambling and, with the user, sets a credit limit for such purposes. The issuer should also give the user an example of the cost of such debt, expressed in £ and pence for ease of comprehension.
- The issuer should explain how gambling transactions with credit cards are treated differently from normal purchases: they are treated as cash advances with a cash advance fee, interest accrued from the date of the transaction and a significantly higher interest rate. A pounds and pence example should be given to make it absolutely clear what this type of credit will cost.
- The user should be invited to set a limit on cash withdrawals on the credit card, as these could also be used for gambling purposes, evading credit card restrictions.
- Where a user regularly hits the credit limit set for gambling purposes, a warning should be given that the card will switch back to “off” for gambling purposes. After expiry of the warning period, the card should be re-set to “off” for gambling and the user should be required to call again to re-set the card to “on”. They will then hear the standard warnings again.
- Gambling with a credit card should be treated similarly to ‘persistent credit card debt’ under the FCA’s new credit card rules,¹ ie the credit card issuer should intervene after defined periods of time to make sure that customers gambling with a credit card are gambling only with money they can afford to lose and are not incurring persistent credit card debt as a result. If the card issuer finds these parameters being breached, a process for managing down the customer’s credit card debt should be initiated.

As debit cards can be used to access overdrafts, the Commission should consider introducing a similar authorisation and limit-setting process for debit cards. The important point, as we stressed earlier in this response, is that the use of all forms of

¹ <https://www.fca.org.uk/publication/policy/ps18-04.pdf>

credit for gambling needs to be reviewed. Because one form of debt can be substituted for other forms of debt relatively easily, a broader package of measures is needed.

Improvements in Data Analysis

We note from the consultation paper that:

“[The Gambling Commission] is exploring with remote operators the types of data they might be able to access to help them assess how much a customer might be able to afford to gamble. This may include their taking account of customer credit reference information, for example, to assess the likelihood of the consumer being at risk of financial harm through extensive borrowing.”

We support this agenda. It seems to us that there will be many types of data signal that can be used to detect problem gambling, including frequency and size of bets, time-of-day and other time patterns, size of bets in relation to income, frequency of declined card payments etc. Using state-of-the-art Big Data and AI techniques, it should be possible to pick up most cases of problem gambling before the gambler has gone beyond the point-of-no-return.

Establishment of a Clearer Complaints Process

An effective way of incentivising companies to follow consumer protection rules is to have a clear complaints and adjudication process with the power to impose penalties for bad behaviour. For example, in the financial sector there is the Financial Ombudsman Service (FOS) which every year investigates many complaints against financial service companies. FOS has a clear complaints process, which is set out at the top of its website menu, so the consumer sees quickly and clearly what they need to do.

This clarity is not evident in the gambling sector, where complaints are split between those involving individual bets, which go to the Independent Betting Adjudication Service (IBAS), and those involving a breach of licence conditions, which are supposed to go to the Gambling Commission.

When consumers look at the Gambling Commission website for complaints processes, they are steered toward alternative dispute resolution providers and advice lines. There is a phone number to let the Commission know if they “have concerns about the way a gambling business is being run.”² However, there is no clear path for complaining that a provider has broken the law by failing to prevent problem gambling.

We recommend that the Gambling Commission amends its complaints process and presentation of that process so it is clear to consumers how they can make complaints

² <https://www.gamblingcommission.gov.uk/for-the-public/Your-rights/Complaints.aspx>

against gambling companies for failing to prevent problem gambling. This is a necessary complement to a review of the use of all forms of credit for gambling purposes.

The Money Charity is the UK's financial capability charity providing education, information, advice and guidance to all.

We believe that everyone achieves financial wellbeing by managing money well. We empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.

We do this by developing and delivering products and services which provide education, information and advice on money matters for those in the workplace, in our communities, and in education, as well as through influencing and supporting others to promote financial capability and financial wellbeing through consultancy, policy, research and media work.

We have a 'can-do' attitude, finding solutions to meet the needs of our clients, partners, funders and stakeholders.

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