



ResPublica  
15 Whitehall  
Westminster  
London  
SW1A 2DD

Website [www.respublica.org.uk](http://www.respublica.org.uk)

PRESS RELEASE FROM RESPUBLICA  
RELEASE TIME: 00.01 SATURDAY 18<sup>th</sup> AUGUST 2018

## **Half of gaming companies online profits come from problem gamblers, warns new report**

More than half of the online profits generated by gaming companies operating in the UK come from problem and at risk gamblers, warns a major new report from ResPublica.

The think-tank, which championed the lowering the maximum stake for Fixed Odds Betting Terminals (FOBTs) has previously put forward proposals to curb advertising by betting firms. It says that the Government must go much further if there is any hope in tackling Britain's gambling epidemic, with over 2 million at risk and problem gamblers.

“Similar government action should be taken in the online world as has been taken in the bricks and mortar world...fixed odds betting has recently been more carefully controlled, while the online world remains a “Wild West”, an enormous unregulated Cybercasino,” it says, adding that the current regulatory regime is inadequate, failing and needs overhauling.

Phillip Blond, Director of ResPublica, commented: “Earlier this year we saw the announcement to cap the maximum FOBT stake to £2, but while this is a step in the right direction, it will simply fail to cut the numbers of problem and at risk gamblers, who are responsible for more than half of the gaming companies profits. Only a co-ordinated package of measures, which include boosting the role of the regulators, ending unfair contracts and restrictive practices will start to address this public health crisis that costs the UK up to £3.6 billion annually.”

The report, *Online Gambling: Addicted to Addiction*, by Tim Cowen and Phillip Blond, sets out a series of measures aimed at strengthening the Competition and Markets

Authority (CMA), which it says “...has found evidence of a culture that is not fair and open – and that the firms concerned are thus in breach of the licensing objectives under the Gambling Act 2005”, while calling on the Gambling Commission to start flexing its muscles.

The think-tanks says that the Competition and Markets Authority opened an investigation into the gambling industry in 2016 and found the gaming industry had:

- Breached consumer protection law
- Imposed restrictions that require people to play multiple times before allowing them to withdraw their own money.
- Restricted the right to withdraw winnings made from gameplay with their deposit
- Included unfair daily weekly or monthly withdrawal limits that locked in players online
- Had ‘dormancy terms’ that allow firms to confiscate funds or impose excessive charges after a certain period of inactivity
- Denied payouts.

The think tank argues that these practices disproportionately affect those with gambling problems and who are often trapped in debt, on low incomes or simply can least afford to lose money.

“Despite launching the investigation in 2016, it was only in February 2018 that some gambling operators agreed to change the way they offer bonus promotions to customers playing online via a series of undertakings agreed with the CMA; specifically, Ladbrokes, William Hill, PT Entertainment, and BGO. In the intervening period, consumers will have continued being harmed.”

Other problems include unfair terms and conditions, with Government data showing that only one in five (22 per cent) of those who gamble online actually reading them.

Phillip continued: “The CMA has already highlighted a large number of problems, but it lacks the power and authority to rectify them. It is simply not practical to continue to limit its’ role to a consumer champion – it must become a public prosecutor, able to take on big gaming, challenging their behaviour and where necessary stripping these companies of profits that come directly from wrong-doing.”

Worryingly the report finds that the online gambling industry obtains more than half of its profit from ‘At Risk’ and problem gamblers. This it says means the industry is “addicted to addiction”, drawing too high a proportion of its profits from vulnerable people.

It goes on to call for additional research aimed at identifying problem and at risk gamblers, warning that what evidence there is suggests it disproportionately affects young men, the poor and those from BAME community.

The reports backs far reaching legal reforms that would allow consumers to join together to bring class actions against any company that breaks the rules. “The age-old issue here is that it may be more expensive to bring private actions than would be warranted by the amount of recoveries. It is likely that individual consumers’ loss will, individually be relatively low, making individual claims uneconomic in light of the costs involved in making the claims. If consumers could be grouped together there might be an economic case for claiming. However, the Consumer Rights Act 2015 only introduced opt-out and opt-in collective proceedings for breaches of competition law, not consumer law.”

“It is particularly important for justice and the rule of law that the CMA be empowered to act in a public prosecutorial role, to take action against such wrongdoing. A strong case can be made that there should be an account of profits as well as revenues in setting levels of fines and that the UK can go further than the EU New Deal in securing compliance and in making the UK a safe online environment.”

“The CMA should be required to prosecute cases where consumers have been harmed. Where illegality has been shown the CMA should be required to take deterrent action in the wider interests of all consumers, and in the public interests of society. This is especially so in this context, where private enforcement is likely to be lacklustre, at best.”

Phillip concluded: “This sort of behavior would not be tolerated from any other industry. Indeed when you look at other industries with demonstrable harmful outputs, such as tobacco, the Government has put forward a comprehensive package of measures aimed at cutting smoking rates. Why is big gaming being treated differently?”

“There is already growing cross party support for this type of action with a group of highly influential MPs, including the Labour’s Deputy Leader Tom Watson and former Conservative Minister John Hayes, looking at the industry. Given the Prime Minister’s commitment in 2017 to tackle perceived market failure and predator capitalism, it is difficult to understand why so little has been done to an industry that preys on the vulnerable and those who can least afford to lose.”

**ENDS**

**Notes to editors:**

#### **About ResPublica**

The ResPublica Trust (ResPublica) is an independent non-partisan think tank. Through our research, policy innovation and programmes, we seek to establish a new economic, social and cultural settlement. In order to heal the long-term rifts in our country, we aim to combat the concentration of wealth and power by distributing ownership and agency to all, and by re-instilling culture and virtue across our economy and society.

#### **About the Campaign for Fairer Gambling**

The Campaign for Fairer Gambling is a not-for-profit organisation that aims to ensure delivery and enforcement of the licensing objectives of the 2005 Gambling Act, including preventing gambling from being a source of disorder or crime, ensuring that gambling is conducted in a fair and open way, and protecting children and other vulnerable persons from being harmed or exploited by gambling.

The full report *Online Gambling: Addicted to Addiction*, by Tim Cowen and Phillip Blond can viewed on the ResPublica website. For media enquires please contact Alistair Thompson on 07970 162225.