

Public Accounts Committee

Oral evidence: [Gambling Regulation: Problem Gambling and Protecting Vulnerable People](#), HC 134

Monday 27 April 2020

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Members present: Meg Hillier (Chair); Mr Gareth Bacon; Olivia Blake; Sir Geoffrey Clifton-Brown; Dame Cheryl Gillan; Peter Grant; Mr Richard Holden; Mr Gagan Mohindra; Sarah Olney; Nick Smith; James Wild.

Gareth Davies, Comptroller and Auditor General, Charles Nancarrow, Director, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-131

Witnesses

I: Sarah Healey, Permanent Secretary, Department for Digital, Culture, Media and Sport, and Neil McArthur, Chief Executive, Gambling Commission.



Report by the Comptroller and Auditor General
Gambling regulation: problem gambling and protecting
vulnerable people (HC 101)

Examination of witnesses

Witnesses: Sarah Healey and Neil McArthur.

Q1 **Chair:** Welcome to the Public Accounts Committee on Monday 27 April 2020. This is our first virtual meeting, due to the CV-19 outbreak. I am delighted that we are able to continue our important work.

Today, we are looking at the issues around the Gambling Commission and its work. It plays an important role in regulating gambling in this country. We will ask questions about its resources and future plans. I am delighted that as our witnesses we have Sarah Healey, the permanent secretary at the Department for Digital, Culture, Media and Sport, and Neil McArthur, the chief executive of the Gambling Commission.

Mr McArthur, you have been at the Gambling Commission for quite a long time. Will you remind us how many years you have worked there?

Neil McArthur: I have been at the Gambling Commission coming up for 14 years.

Chair: Fourteen years—relatively new as chief executive, but not so new to the commission.

Thank you for your time. Obviously, on opening, we would like to ask some questions about the impact of coronavirus on gambling. I will ask Richard Holden to kick off the questions.

Q2 **Mr Holden:** We are interested in, and there has been a lot of talk in the media about, what is happening with online gambling during the coronavirus outbreak. What evidence have you seen for increased gambling in that way?

Chair: Are you directing that at Mr McArthur?

Mr Holden: Yes, sorry.

Neil McArthur: We have been watching the impact very carefully. We took a number of steps when the covid crisis and the social distancing measures kicked in. One of the things that we did immediately was start gathering intelligence from operators.



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We added some questions to the YouGov poll to assess consumer responses to covid-19. We have taken a number of other steps as well, which I am happy to talk about, but in terms of the impact on consumers, we look at risk from four perspectives: the risk to the person; the risk of the product they are playing; the risk associated with where they are playing; and the provider of the gambling. People being at home shifts all those risk profiles and, to an extent, has accelerated what we were already seeing with structural change in the industry, which we were responding to.

What we know from the YouGov data is, first, that there is a sense that potentially people who have not gambled for a while think that they might.

One in five consumers who have not gambled in the last four weeks say that they are likely to in the next four weeks, and one in 10 consumers who have not gambled at all in the past year say that they are likely to return to gambling in the next four weeks. We know that premises-based gambling has stopped and therefore online gambling is the only available source of gambling, and even there, there is no sport, in a meaningful sense, in order to have online betting, so we are very concerned to understand how players are shifting to the products that are available, which are casino products and slot products, and the impact and risk that might present. We understand that about 15% of recent gamblers have increased the time they are spending gambling, but that rises to 60% of the most engaged gamblers, and they are a higher-risk group anyway. We know, based on the data we have, that young women seem to be spending more time gambling, but young men appear to be the ones most likely to have increased their spending and the time they spend gambling.

Q3 Mr Holden: Given that there is clearly an issue, what have you done? You have been criticised in this Report for being too slow and not proactive enough. What have you done, given that there is clearly an issue during covid lockdown, to pre-empt some of that? Are you looking at anything like deposit limits on a daily basis?

Chair: Mr McArthur, could you keep your answers brief, please? We need to get into the main session; this is just the preamble.

Neil McArthur: In terms of actions, first we immediately warned operators not to exploit the current circumstances. We have taken a number of steps to reinforce that. We have put consumer messaging out to remind consumers of what they should expect and the support options that are available for them. We have shifted our compliance focus, so that it is all aiming towards the online sector. We have already, when needed, taken enforcement action. We suspended, for example, some licences of operators on the day after the requirement to be on the GAMSTOP self-exclusion scheme took effect. In addition to that, we are constantly keeping under review whether there are other measures that we should introduce that would address specific risks, but at the minute, the focus on affordability and knowing your customer and keeping them safe are the things that we are pushing the industry very hard to address.



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Q4 Mr Holden: But there is nothing proactive at this moment. The Government, in many other areas, have been incredibly proactive in dealing with coronavirus, but there is nothing from the Gambling Commission or DCMS at the moment on what should be done to limit the harms of online gambling when people are stuck at home.

Neil McArthur: I think we are doing a lot proactively to address the risks. We are gathering data from the operators. We have warned the operators of our expectations. They are under no doubt of the consequences if they do not meet our expectations. They are on notice that if we need to, we will suspend operating licences; we will suspend personal licences. The other thing that we have done is change our normal practices in relation to voluntary settlements, to make sure that during this period there is secure funding for GambleAware and its important work on treatment and support, prevention and education. The board have directed that settlement moneys to the tune of about £8.8 million be directed towards GambleAware, and as I say, we are constantly looking at the data.

The other thing I have done is reach out to regulators in other parts of the world to see what they are finding works. We are keeping it all very carefully under review, and if further action is necessary, we will definitely do it.

Q5 Mr Holden: This is my last question on this issue. The Government have locked down the country to stop the spread of coronavirus. As far as the Gambling Commission goes, there are no actual restraints needed; it's just some words to the operators themselves and some messages online.

Neil McArthur: I'm sorry: I don't agree with that. What we have done, over quite a long period of time, is take action to raise standards, so as to increase the protections online. We have increased age verification and customer identification. We have introduced GAMSTOP and made that mandatory. We have pushed the operators to make progress in relation to customer interaction. We have pushed on a variety of other measures as well. We are pushing operators by saying, "At this difficult time more than ever, it is really important that you are alive to these steps that we have taken, and previous protective measures, and we expect them to be used fully."

Q6 James Wild: You talked about warning operators. Is that a formal regulatory sanction that you have applied? What do you mean by warning them?

Neil McArthur: No. By "warning", I mean that I wrote to the chief executives of all gambling operators, warning them that we expected them not to do anything that might be perceived as exploiting the vulnerability of people at this time when they are at home and when they cannot gamble in other ways. I have said, for example, "Be very careful about pushing slot and casino products to your customers who joined you in order to bet."

The industry is on notice that we expect it to be absolutely on its best behaviour, in terms of protecting its customers, making sure that it is



onboarding customers safely and looking after the customers that it has, intervening when it should, and really taking steps to make sure that people are playing with money that they can afford to play with, and understand the risks and can manage them.

- Q7 **James Wild:** We have 10 commitments that the industry has made. The third one is around deposit limits, and proactively contacting customers who are displaying abnormal patterns of betting that indicate harm. How many warnings have the betting companies issued to individuals under that pledge?

Neil McArthur: I don't have that data available to me, certainly not for the period of covid. What I can say is that we were already seeing the number of customer interactions, which is the phrase used to describe when operators get in touch proactively with their customers to talk to them about their gambling, increasing in the months leading up to covid. I would be very happy to share any of the data that we have in writing, but I don't have it to hand now.

- Q8 **James Wild:** But on these pledges, are the industry not providing you, or have you not demanded, information on the commitments they have made? And have you looked at making these formal licence obligations and commitments?

Neil McArthur: We have been focused on gathering the data at the present moment. The commitments are relatively new, and there is inevitably a degree of lag between an action and being able to see its impact.

We have been focused on making sure that the requirements we have imposed are being complied with, and that's been a long-standing piece of work. You can track back our work programme to our 2018 online review; we have worked through all of the measures there. We gather data to check their effectiveness, and in the immediate aftermath of social distancing, we have reached out to the industry and asked for an additional dataset. Inevitably, however, there is a degree of lag between activity and being able to collect the data.

- Q9 **James Wild:** Has the commission furloughed any staff?

Neil McArthur: No, the commission hasn't furloughed any staff. One of the things that we did immediately was invoke our business continuity plan. We ran a business continuity event 12 months ago on the subject of a pandemic, and we learned lessons from that. We invoked that plan. We have not had cause to furlough our staff. What we have been doing is rapidly reprioritising our efforts, so that colleagues are focused on evidence gathering, compliance and activity online. We have been able to do that quite successfully so far.

- Q10 **James Wild:** How regularly are you getting data from the big operators about what they are seeing in the market?

Neil McArthur: We are gathering data and making an impact assessment almost on a daily basis, but we are updating it weekly. We are trying to



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get an impact assessment both of the impact on the industry, and of the steps and measures that the industry are taking to address the circumstances that they find themselves in. We are in touch with all of the main trade associations, as well as the operators.

I have also been in touch with my opposite numbers in Spain and Italy, who are ahead of where we are in the outbreak, to see what lessons could be learned from those countries. I have also spoken to my counterparts in Malta and Gibraltar. We are all making a concerted push to ensure that our operators maintain their standards during these difficult times.

Q11 Peter Grant: Mr McArthur, you said you have been gathering data throughout the lockdown. Do you have any meaningful information that you can share with us as to what change, if any, there has been in the level of online gambling since lockdown began?

Chair: Mr Grant, we did cover some of that at the beginning, so we won't repeat all of it. I think Mr Grant is asking what the data is showing you, and what you are acting on as a result of the data. You have covered that a bit, but could you please go into more detail, Mr McArthur?

Neil McArthur: The impact on the premises-based industry is obviously extremely significant. There has been no activity, and we predict that gross gambling yield, which is stakes less prizes, might in overall terms reduce by the tune of £1 billion to £1.5 billion, depending on whether the present difficulties persist, in terms of social isolation, for up to a month, three months or six months. All areas of gambling are reduced, with the exception of remote gaming—slots and casino games. We are predicting that, in the first month, there might be an increase of up to 3% in gross gambling yield, increasing to possibly 7% or more than 10%, depending on whether the disruption lasts for three or six months. We were already seeing a structural shift towards online, towards mobile play and towards slots and casinos, and it has just accelerated that.

Q12 Peter Grant: You told us that you had warned the operators not to seek to exploit the lockdown situation. Can you tell us what change there has been in advertising on television and through online channels, particularly for online slot machine, casino-type products?

Neil McArthur: The evidence to hand is not showing that there has been a significant increase in the flow of marketing or advertising. Our own contact centre analysis does not show that marketing and advertising have gone up and are a concern for people who are contacting it. The risk of those products, and the risk of people playing, is nevertheless something that we need to focus on. I know that the industry are thinking of taking measures of their own to restrict advertising, but we have not seen a shift. Part of that, I think, was that we warned them very carefully about trying to cross-sell different products. The Advertising Standards Agency issued a similar warning about the need for responsible gambling advertising, and the Minister and DCMS have also made their expectations in this area very clear.

Q13 Peter Grant: Do you proactively monitor the amount of advertising that



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is out there, or do you just wait for people to call you and complain about it?

Neil McArthur: We do both, and we also work very closely with the Advertising Standards Agency, using the intelligence they get about complaints about advertising. We are trying to draw on as much information as we can.

Q14 **Mr Mohindra:** My question is on the impact of the Gambling Commission. How do you track that? In the covid-19 pandemic, how are you ensuring that the GC remains as positively impactful as possible? You mentioned the structural changes to the industry—the move towards mobile and online. In some ways, that is a hidden danger; it is easier to track people's gambling if they physically go into the bookies. What are your thoughts on that?

Neil McArthur: Tracking their impact is a challenge; that is undoubtedly true. Part of the reason why we work so well on that—this comes out in the NAO's Report—is because it is an area that we have been focused on for a while.

There is a perception that somehow online gambling is not regulated as firmly as premises-based gambling, which is not correct. You have to be licensed by us. We impose stringent requirements on those who seek a licence, and we then make our expectations clear. What online gambling gives you is perfect information about the consumer—about their behaviour, when they are betting, what they are betting on, and changes in playing patterns. We expect operators to use all that information in terms of player safety, not just for commercial purposes. We have pushed very hard on that.

I think we can measure impact in some qualitative ways. You can see, for example, that there has been a significant shift in tone at the top for operators; they are putting safer gambling at the top of their agenda, so when I meet their boards, it is at the front of their agenda. You can see operators shifting their remuneration arrangements, so that safer gambling now becomes part of executive remuneration, rather than being about [*Inaudible*]. You can also see it in the actions of trade associations and the change in tone, for example, from—

Q15 **Mr Mohindra:** Mr McArthur, if I can just cut in there, I think you are suggesting that the industry is trying to be proactive. My concern, building on Richard Holden's questions, is that the GC seems to be reactive, rather than proactive. How would you answer that?

Neil McArthur: In the context of online gambling, I would start with the work that the Gambling Commission did with the Government in 2014 to have the law changed. That moved online gambling to a point where it was all licensed by the Gambling Commission. We moved to a point-of-consumption regulation regime. That was a really important step, because most online gambling up to then was taking place offshore, unregulated by us.



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We have been regulating online markets since 2015. In 2018, we did a review of online gambling, in which we set out a number of policy areas through which to proactively drive up standards. We have increased protections for age verification and customer identification. We have made GAMSTOP mandatory, so that you can self-exclude from all operators at once. We have improved protections around customer interaction, and we have pushed consistently, both through our policy work and our enforcement work, to raise standards. I think that is setting a framework where the debate has shifted. Operators understand that player safety is their responsibility, and that has been significantly due to pressure applied by the Gambling Commission.

Mr Mohindra: One final question, if I may.

Chair: One very quick one, Mr Mohindra; we need to move on.

Q16 **Mr Mohindra:** A very quick one. Mr McArthur, in a word, is the Gambling Commission effective? Yes or no?

Neil McArthur: Yes. But there is always more to do.

Chair: We have the rest of the session to explore that. Before we move on to the main session, Ms Healey, if you thought you were going to have a quiet moment, you have lost that moment now, because Mr Richard Holden has a couple of questions on other issues before we move on to the main Report. Mr Holden.

Q17 **Mr Holden:** Thank you, Chair. Newcastle United, a team in the north-east of England very dear to the hearts of many of my constituents, is in the middle of questions around a major takeover. What is DCMS doing at the moment to look into that, and what can we expect to hear from it?

Sarah Healey: As you will have seen, at the DCMS Select Committee last week, my Secretary of State answered a whole set of questions about this. He confirmed that this was largely a matter for the premier league, and the premier league is assessing whether the proposed ownership of Newcastle United would meet the fit and proper persons test. That is where we are.

Q18 **Mr Holden:** So no change there at the moment. On on-course gambling, a concern of some of my constituents is that small bookmakers, who operate in the physical realm only, have received very little support during the coronavirus outbreak, whereas large operators have been furloughing huge quantities of staff. Is there anything that you're looking at to help those small bookmakers who work on-course?

Sarah Healey: There have been a series of interventions that the Treasury has introduced to try to assist businesses who are finding current circumstances extremely difficult, including those who find they are unable to operate, as course operators would. We are always working with representatives of all the sectors that DCMS works with to identify areas where some of those businesses have not been, for whatever reason, covered by those Treasury schemes, and to explore whether it is possible



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to assist further. If they have not been in touch via industry bodies or otherwise, then they should definitely do so.

Chair: I think you have just been lobbied, permanent secretary, by Mr Holden. I am sure that he will be in touch if no one else is.

I want to move on to the main Report. As I mentioned at the top, we are looking at the National Audit Office's Report "Gambling regulation: problem gambling and protecting vulnerable people", which came out on 28 February 2020. I am giving the references for those watching, if anyone wants to pick it up.

The Report essentially looks at the work of the Gambling Commission. We have covered some of the areas of what you are doing, Mr McArthur, around coronavirus, but this is really about looking at the main work that you do, the challenges that you face, the risks that you are trying identify and how you are dealing with them right now, and what your plans are for the future. I will ask Mr Richard Holden to kick off on that as well.

Q19 **Mr Holden:** Thank you, Chair. Will you outline for us, please, Mr McArthur, the main aims of the Gambling Commission?

Neil McArthur: The Gambling Commission's objectives are set out in the Gambling Act. They are: to keep gambling free from crime, and not let it be associated with crime or disorder; to make sure that gambling is fair and open; and to protect children and vulnerable people from being harmed or exploited by gambling.

Q20 **Mr Holden:** The Report goes into detail about the people who are at risk of problem gambling at the moment. How acceptable do you think that it is that we now have roughly 2 million people at risk of problem gambling in the UK?

Neil McArthur: I don't think it is acceptable. We have made it extremely clear that problem gambling rates need to drastically reduce. We do not expect consumer confidence in gambling, which has been in decline for a number of years now, to improve until we see a drastic reduction in gambling-related harm. That is why we worked with Government and partners to develop the national strategy to reduce gambling harms. Implementation of that strategy is something that everybody has to play their part in.

Q21 **Mr Holden:** Delving a little deeper into the Report, one of the most concerning things for many people is the issue of children who are problem gamblers: an estimated 55,000 problem gamblers in the UK are children. Obviously, age verification has something to do with that, but more broadly what measures are the commission taking to really crack down on problem child gambling, as well as the broader issue—increasingly important—of online gambling and people's problems there?

Neil McArthur: First, let me say that it is unacceptable that there are any children or young people who are problem gamblers. I should, however, point out that the evidence does not suggest that the problem is getting worse; there is some evidence to suggest that the number of children

gambling has actually reduced. The latest report that was published shows that the most common ways children gamble are playing among friends in private settings, or playing cards with friends for money. We are very concerned that there are any children who are classed as problem gamblers.

Our focus has been around, first, regulation and enforcement, where we focus our efforts on making sure that children do not have access to age-restricted products. For example, that is why we strengthened the age verification requirements online. That now means that even free-to-play games are behind the age gate for any licensed operators. We have taken action where we have found under-age gambling. For example, we worked with a local authority to do test purchasing on course bookmakers and took action against them. We supported local authorities where they have taken test purchasing measures in pubs.

The other part is that prevention education is really important. We have been funding, through voluntary settlements, a variety of initiatives to move that, through partnership with the NHS and public health, particularly community-based services.

The final part is that parents are key. We have been working with ParentZone to raise awareness of the risks of gambling. We are very grateful and pleased that gambling-related risks will, in the coming years, form part of the PHSE curriculum. Our principal area of focus is on restricting paid products.

Q22 Mr Holden: On local authorities, I am sure that Mr Wild will come in later with figure 6 in the Report. I just want to touch on the issue of gambling for 16 to 18-year-olds. Do you know how much a 16-year-old can bet online at the moment?

Neil McArthur: A 16-year-old should not be able to bet online, save for the fact that 16-year-olds are permitted to take part in pool betting or lotteries. They should not be able to bet on sports online; that is not a product that is available to the under-18s.

Q23 Mr Holden: But 16-year-olds take part in fixed-odds betting online because they can do online scratchcards, can't they?

Neil McArthur: Scratchcards are a form of lottery, and 16-year-olds can play the lottery, that is correct.

Q24 Mr Holden: Do you know how much 16-year-olds can currently gamble online in a day?

Neil McArthur: Off the top of my head, I do not, I'm afraid.

Q25 Mr Holden: At the moment 16 and 17-year-olds can deposit £350 online. What are you looking at to prevent that sort of child gambling in 16 and 17-year-olds? The Report refers to 11 to 16-year-olds, but I am also concerned about young people being able to gamble a lot online at 16 and 17 years old.



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Neil McArthur: We are concerned to avoid anybody getting into difficulties with their gambling. Our sole aim is to make gambling as safe as possible. The decisions about the age at which people should be able to play what products are matters for Government and for Parliament. In this country, children are permitted to play some forms of gambling—for example, the sort of machines that you might find on the pier.

We are concerned and have spoken to the operator and trade associations about some of the products available in every category. That is part of the reason why we welcome the initiative from Bacta to restrict the playing of category D gaming machines on piers without parental consent. The legislation sets out a graduated approach to products. [*Inaudible.*] We are focused on people's safety.

Q26 **Mr Holden:** You are right; it is obviously the responsibility of DCMS and Parliament to look at that—we will come on to DCMS in a second. An issue that has consistently been raised throughout is the fact that, as you said in the aims, one of your aims is to protect children and the vulnerable. I would suggest that 16 and 17-year-olds are almost as vulnerable as younger children.

One of the recommendations that you made historically was for a £30 limit on fixed-odds betting terminals. The Government, in the end, put forward a £2 limit. One of the things that you should be doing is putting forward proposals in that area. Have you put any proposals forward on the gambling of 16 and 17-year-olds?

Neil McArthur: Let me just go back to the fixed-odds betting terminals. The Gambling Commission's job is to give the best advice that it can based on the best available evidence, which is what we did with the advice we gave on the gambling review. The Gambling Commission did not recommend that the stake should be set at £30; it said that there should be "a substantial stake cut"—certainly below £30—and that the lower you went, the more you had to think about the effect that that had on the hierarchy that had previously been established.

The bit that often gets missed along the way is that the Gambling Commission's advice is consistent with the decision ultimately taken by the Secretary of State and by Parliament, and we welcomed that decision. It is not that there was a policy difference between ourselves and DCMS at all. We set out the advice. In terms of what products should be played at what age, there is an ongoing dialogue. The policy question of what age children should be able to participate in lotteries, for example, has been flagged. When we are called upon to give advice, we will do that.

Q27 **Mr Holden:** On the question of 16 and 17-year-olds, one of your issues is to protect children who are vulnerable. Is that something that you have advised Ministers on or put into the public domain so far?

Neil McArthur: Not yet.

Q28 **Mr Holden:** Okay. You mentioned that you obviously have to respond to data and use data sets. One of the things mentioned in the Report, on



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page 8, paragraph 11, is that “the Commission wants to see the number of people affected by problem gambling to reduce significantly but has not articulated what level of reduction, over what period of time, would indicate good progress.” Do you agree with that? It is all very well to say that you want to see a reduction, but without any parameters for it, how can we possibly judge whether you are effective or not?

Neil McArthur: We want to see gambling-related harm reduced, but it is a complex question. The fundamental challenge that we face, and that any regulator of gambling faces, is: how do you balance the risks of harm to some people against the fact that the vast majority of people can gamble and not get into difficulties?

Some 24 million adults in the UK gamble and, based on the data that we have, 340,000 seem to be experiencing problem gambling. That is unacceptable; we must work to drive that down. We have not set a target for how far, because I don’t think you can. What you want is for the target to be as low as it possibly can be.

Regulating gambling needs to continually evolve. Having flexibility and addressing new issues, like technology and changes in consumer behaviour, are part of that. The other thing is that we are really focused not just on the overall problem gambling percentage, but on particular high-risk groups. One of the difficulties of doing a whole-population view is that it doesn’t give you all the visibility you need into where you might be able to have the most effect on the risks. For example, we know that the risks to under-25s who are very engaged in gambling are very significant. That is the area that we are focused on.

Q29 **Mr Holden:** I understand, but how can we possibly judge you? You say the risks to under-25s are what you are focused on, but you have also told me that, in the entire existence of the Gambling Commission, you have not made any recommendations about 16 and 17-year-olds gambling. They can gamble hundreds of pounds a day online. I don’t understand how we, as the Public Accounts Committee, can possibly judge whether you are effectively spending public money if we do not have any KPIs on which to judge you against.

Neil McArthur: We are constantly having to respond to new issues, and we realise that it is a challenge to get KPIs and metrics that demonstrate impact in a timely fashion. For example, one of the things that we know is that problem gambling rates are broadly stable, but the most robust methodology is measuring the percentage of the population who define as problem gamblers in 2016. That is not a good measure of the Gambling Commission’s impact today—I get that. That is why I welcome the fact that the National Audit Office Report recognises where we have tried to and do adhere to best practice on improving the evaluation of our impact, but we have much more to do. We are working very hard on that.

We are working with the Advisory Board for Safer Gambling to strengthen our evaluation processes, because I would like to have much better measures that demonstrate impacts in a much timelier way. That is part of



the reason why we were so happy, candid and open with the NAO Report. This is a complex question, and it needs different perspectives to solve it.

- Q30 **Mr Holden:** Just to move on, we have heard that you are not putting any KPIs out there that you can be measured against, but surely you must be assessing the impact of the measures that you have taken in increasing fines. Yet if we look at page eight, paragraph 13 of the report, it says: "The Commission does not know the extent to which these increases have strengthened the deterrent effect of enforcement action".

You are not measuring what you want to do and you are not measuring the impact of what you do do. How can we possibly judge in any way whether you are ensuring fair and open play, protecting children and the vulnerable or ensuring that crime is kept out of gambling, when you are not measuring the impact or the effectiveness of the measures that you are taking?

Neil McArthur: We do measure impact. We capture—

- Q31 **Mr Holden:** The NAO say you do not. The National Audit Office say that you do not employ an adequate assessment of impact.

Chair: Do you want to point us to the reference in the Report, Mr Holden?

Mr Holden: Yes, page eight, paragraph 13: "The Commission does not know the extent to which these increases have strengthened the deterrent effect of enforcement action".

- Q32 **Chair:** Mr McArthur, on that point, please? Just to remind you, this is an agreed Report—obviously, the facts are agreed, but the conclusions are the NAO's own conclusions.

Neil McArthur: We accept that we need to do more to develop measurable impact measures. We have very robust impact measures on things such as long-term data around problem gambling rates. We have assessment of our effectiveness in areas such as anti-money laundering, where the Gambling Commission's approach was commended by the Financial Action Task Force on Money Laundering as an area where the commission has a good understanding and control of the risk.

Where we agree with the NAO, and part of the reason we were so keen to work with them, is that tracking direct impact is a difficult subject for all regulators. Therefore, while we have a broad performance reporting framework that measures KPIs and metrics—that is, counting things that we do—demonstrating the impact is a challenge.

We are determined to do more to strengthen our evaluation processes and have a firmer evaluation framework. That is a work in progress, and we acknowledge that it is an area where we need to do more. We look forward to working with the NAO on it.

- Q33 **Mr Holden:** It is not a challenge. Your own 2018 to 2021 strategy document shows that between 2008 and 2018, the proportion of the population who thought that gambling could be fair and trusted in the UK



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under your stewardship of the Gambling Commission was down from 49% to 34%.

I want to come to the broader issue for both you and Ms Healey: are you going to commit today to having some actual KPIs? Can you commit to a targeted reduction in the level of gambling-related harm over the specific period? That is to both of you.

Neil McArthur: I am not in a position today to commit to that, because ultimately anything above nobody suffering harm from gambling is not acceptable. That is the difficulty that anybody regulating an age-restricted product has in terms of saying what an acceptable number would be. We have a lot of work to do in this area, but I think—

Q34 **Mr Holden:** Mr McArthur, I am not after acceptability; I am just after something that shows progress, because all the reports show is the reverse.

Neil McArthur: I do not accept that. If you take, for example, the trust and confidence in gambling, one of the challenges the industry put to me, which might have some force behind it, is the sense that the Gambling Commission being tougher around enforcement and creating stories about where it has been tough on enforcement fuels negative stories about the gambling industry, which undermines consumer trust. Now, my job is not to promote the gambling industry; it is to protect consumers and permit gambling insofar as it is consistent with the licensing objectives.

Mr Holden: I think we understand that, but we have nothing by which to judge you.

Sarah Healey: I think you are asking me whether we will commit to wanting a targeted, specific reduction in the number of problem gamblers. Is that the specific question?

Q35 **Mr Holden:** That is correct.

Sarah Healey: I must agree with what Neil said: I do think a broadbrush single number measure is not appropriate. That is partly because it is actually a relatively low number. In fact, we can see that in the figures for the number of problem gamblers picked up in the health survey of England. To give those headline percentages, one year it was 0.7%, which meant there were 56 people, and a couple of years later it was 0.5%, which was 35 people. These are relatively small numbers, so they are not necessarily the appropriate way of establishing whether we are seeing progress overall.

We should remember that the gross gambling yield has risen, and most evidence suggests that the percentage of problem gamblers has not. That is a suggestion that, in fact, the Gambling Commission has been doing quite well at keeping up with some of the new risks presented by new technology.

We are, like the Gambling Commission, very concerned to ensure that we are always cracking down on harm and trying to address it. We are very



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much looking forward to having a much deeper understanding of gambling-related harms—and, indeed, the causes of gambling-related harms, which can sometimes be very difficult to extract, understand fully and extricate from broader harms to do with the situation of people experiencing problems with gambling.

We are looking forward to the outcome of the Public Health England study, which will give us a richer understanding of that, as we move to meeting the manifesto commitment to review the Gambling Act.

- Q36 **Mr Holden:** You talk of a small number of people, but there are about 340,000 adult problem gamblers and an at-risk group of almost 2 million adults and children in the UK. If this was anything else, it would be considered an absolute scandal. Given the lack of commitment to any form of numbers to reduce the problem, will you commit to the Department saying that we should see a reduction in problem gambling?

Sarah Healey: Obviously, we would like to see a reduction in problem gambling—that goes without saying. When I said there are small numbers, I was talking about a measurement problem; I was not in any way suggesting that it is acceptable that the numbers are where they are. This is about a measurement issue, not belittling the issue itself.

- Q37 **Mr Holden:** Okay, so will you commit that, as one of the things to show the effectiveness of the Gambling Commission—that is what we are all about here—the Government at least want to see a reduction in problem gambling in the UK?

Sarah Healey: Yes. Exactly how you decide to measure that and what is the most effective way of driving performance in measuring that is a different matter, but I think the Government has been being perfectly clear that it wishes to see a reduction in problem gambling.

- Q38 **Mr Holden:** But you are not prepared to commit in any way to how that could be measured. We have obviously seen an increase in the last 10, 12 years in people concerned about gambling—

Sarah Healey: We have seen relatively stable numbers of problem gamblers. Also, I am afraid, it is really not for me to make a decision; it is for Ministers to decide what the right performance measure is for Government. Sorry.

Mr Holden: Fair enough.

- Q39 **Chair:** As the permanent secretary, it is your place to make recommendations to Ministers. If you were to take that route and suggest to Ministers what measure, how would you go about that? What approach would you take?

Sarah Healey: I have just been discussing some of the complexities to do with this. We need to understand much, much better what harms are caused by gambling; a headline problem gambling measure is not enough. That is exactly the reason why not long ago the Gambling Commission did some excellent work on a harms framework, in order to have a much more



balanced understanding of the harms caused by gambling, rather than focusing entirely on headline measures. That framework has not been put fully into practice simply because it is complex to gather all the information needed to populate it. We also need a much more in-depth understanding of what those harms are and who they are caused to, because it is not simply the case that those harms are caused to the individuals who are problem gambling themselves. There are also ongoing harms caused to their friends and families as a result of their issues with gambling.

If I were advising Ministers on this, I would want to advise that a broadbrush set of measures would be a sensible way, rather than focusing entirely on a headline number.

Chair: I would like to bring in Sir Geoffrey Clifton-Brown at this point.

Q40 **Sir Geoffrey Clifton-Brown:** Good afternoon, Miss Healey. May I suggest that you are being a little bit complacent with this whole thing, and ask you whether the decision making between the Gambling Commission and DCMS, making a change in the law, is pretty clunky? After all, the recommendation to change the law to reduce the maximum stake on fixed odds betting terminals took from 2013 to 2018. If we need to change the law around online betting for vulnerable people, that is surely far too long, and the decision making needs to be less clunky.

Sarah Healey: On fixed odds betting terminals in particular, there were a number of points at which the Gambling Commission provided the Department with its best assessment of the evidence about harm caused. We thoroughly believe that regulation needs to be evidence-based. As Neil explained, this is a legal industry that people are legally allowed to take part in and regulation of it needs to be proportionate and evidence-based. At the point where the evidence base for changes in regulation became clear, the Gambling Commission advised on a change, which was a reduction in the stake, and that was then implemented by Government at the lower end of what was recommended.

However, I think we should reflect that the Gambling Commission have quite a degree of flexibility in being able to adjust licence conditions to react to circumstances and, indeed, have shown that they are prepared to do so quite quickly, through various adjustments that they have made to do with age verification, which we talked about earlier, and to do with advertising and our expectations of operators on how they advertise. All those changes have been made pretty rapidly and effectively.

As I said earlier, the fact that we have seen overall gross gambling yield go up by 4% in real terms, while at the same time the proportion of problem gamblers has not risen despite the sophisticated ways in which online operators can encourage gambling, is a signal that we have been taking action pretty quickly. When it comes to regulation of legal industries, I certainly would not be a fan of taking action without an evidence base to do so.



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Chair: Thank you. I am going back to Mr Holden on this and then we are going to move fairly shortly to Mr James Wild.

- Q41 **Mr Holden:** Very quickly on that issue around licensing conditions, are you working with the Gambling Commission to look at any changes to licensing conditions because of the coronavirus situation? Is that something that has been considered by the Department?

Sarah Healey: We always monitor what is happening in the world of gambling and keep in close touch with the Gambling Commission. As you may know, the Minister responsible wrote to the Betting and Gaming Council asking for action. Neil described earlier some of the actions that they had recommended as a result of the current circumstances. We would prefer action to be taken voluntarily, where possible, rather than necessarily through regulation, especially when we are talking about what we are all expecting not to be a permanent situation, however long it lasts.

- Q42 **Mr Holden:** Moving on to the broader question of how and why people develop gambling problems, the understanding of that seems to lag behind other health impacts that people face. Why have the Government taken so long to understand this addiction issue?

Sarah Healey: I do not think it is really fair to say that we have not, as yet, understood this as well as we have understood some other addictions. I know you don't like me pointing out that there are relatively low numbers, but that does mean that, overall, we have an issue with it being picked up during routine engagement with authorities in quite the same way alcohol and drug use is picked up.

In common with many behavioural addictions that do not have immediate medical ways of testing for them, the evidence base has been behind that of things like alcohol and drug use, as well as some of the complexity to do with understanding the causes and the link with mental health. Sometimes what may be manifesting itself as a mental problem may also be associated with problem gambling, but that may not be picked up as effectively. In common with many addictions of that sort, it is less well understood.

Also, there have been particular reasons why the Government have moved to understand other addictions very quickly, not least their relationship to other forms of crime. Alcohol addiction, because of its relationship to violent crime, has had a particular focus, because of those harms. It has taken us longer to understand the broad range of harms caused by problem gambling.

- Q43 **Mr Holden:** Looking at crime from the other side, one thing is organised crime using gambling to launder money, as Neil mentioned, but surely there is also the impact of crime for people feeding their gambling addiction.



Sarah Healey: Absolutely, which is why we now have quite an extensive programme of work under way to be able to understand those harms even better than we have been able to up to now.

Q44 **Mr Holden:** You said relatively small numbers. We are talking about hundreds of thousands of people affected with problem gambling. You say those are relatively small numbers and that is one of the reasons you have not looked at it. In relation to opioid addiction in the UK, do you know how significant it is?

Sarah Healey: I did not actually say it was because of the small numbers that we have not been pursuing it. I was saying that because of the relatively low incidence it is not always picked up during routine engagement with the authorities, which is a different point from suggesting that we are not looking at it because there is a small number.

Q45 **Mr Holden:** Yes, but 350,000 obviously is not a small number, and it is not dissimilar to the number of people addicted to hard drugs. I cannot quite understand why that data gathering has not happened.

Sarah Healey: Yet again, can I say that that is relatively, rather than actually? It is also about the other two points I mentioned, one being the speed at which we can understand behavioural and mental health issues, rather than those which are medically testable and therefore easier to prove. All those behavioural addictions have, historically, been less well understood than those that are directly related to health harms in the physical sense. I am not saying that that is okay. I am just explaining that that is why it has lagged behind and why we are now taking action to fill those gaps.

Q46 **Mr Holden:** Just before I hand over to Mr Wild, I want to ask—especially given that we saw that the Government, the Department and the Gambling Commission, which you are responsible for, are lagging behind the curve on looking at fixed odds betting terminals, which are clearly a major issue—are you now lagging behind on online gambling, too, and is it not time that the Gambling Commission and DCMS looked at this and said, “We need to do what we have done with fixed odds betting terminals in the high street and have a £2 limit for online gambling as well”?

Sarah Healey: The first thing I would say is that, as I said earlier, the Gambling Commission provided us with an assessment of the evidence on fixed odds betting terminals at a number of points in the run-up to the change to the stake. When that evidence showed that that should happen, that is precisely what was implemented, as you mentioned earlier, towards the lower end. Obviously, I should reiterate that it is important that we regulate on the basis of good evidence.

I do not think that we have clear evidence that we are behind the curve on online gambling. Having said that, the manifesto commitment to review the Gambling Act 2005 is specifically with a view to ensuring that the Gambling Commission and the framework in which it operates are fit for purpose in an age where an increasing amount of gambling is online. That



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review will be a really good way for us to ensure the framework does precisely that.

- Q47 **Chair:** Permanent secretary, I just want to check on the timetable and whether there have been any issues, due to coronavirus, that may delay the work on that review.

Sarah Healey: We have not announced a timetable for that review. Inevitably, as the Secretary of State said last week, the Department has been very focused on immediate coronavirus response in recent weeks, and you would absolutely expect that to be the case, considering the impact on many DCMS sectors.

- Q48 **Chair:** Is it likely to happen in this Parliament? We recognise there has been some change.

Sarah Healey: It's a manifesto commitment, so clearly it is something that we will prioritise.

Chair: Mr Holden, did you want to follow up on that point?

Mr Holden: No, I think at this stage I will leave it up to Mr Wild; I might come back in a little later.

- Q49 **James Wild:** I want to turn now to the effectiveness of regulation. This is obviously a rapidly changing sector. How confident are you that the Gambling Commission is sufficiently agile to react to protect consumers?

Neil McArthur: I think we can demonstrate a good track record of keeping up so far, but there is always more to be done. We began regulating online gambling, as I say, in 2015, and we did an online review, which was published in 2018, that set out a work plan of policy actions that we would work through. Since then, we have worked with the Competition and Markets Authority to implement changes to make terms and conditions fairer. We have strengthened the requirements for online age verification and identity verification. That helps prevent children from gambling, but it also helps the effectiveness of GAMSTOP as a self-exclusion tool. We have strengthened the requirements to interact with customers. We have banned gambling online with credit cards. Alongside that, we have been encouraging collaboration with the industry, and the industry has been doing a lot of work around what is called markers of harm, which is how to use online data to identify problems with customers and allow you to interact with them more effectively. We have kept pushing that area.

More recently, we have been adopting a more collaborative approach alongside that harder edge around enforcement, to try to speed up the development of the regulatory rulebook. In October, we announced working groups that have just completed their first round of work on VIPs. That was largely online, on product design that is online and on the use of advertising technology to protect children and vulnerable people from being exposed to gambling adverts.



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I think we have a strong track record to be quite proud of in terms of our ability to progress that work. We have been increasingly tough on enforcing—

- Q50 **James Wild:** Can I come in there? The reason I ask is that the decision making, looking in the Report, seems to be what some might describe as glacial. You may have got to the right answer in a number of cases, but it takes you quite a long time to do it. I am looking at page 27, case study 3. There are two examples here of measures to protect consumers around being able to actually withdraw the funds from their accounts, preventing them from being misled and looking at the codes on identifying and interacting with customers. They took two and three years respectively to come up with a solution. Why is it taking the Gambling Commission so long to identify a problem and then to do something about it?

Neil McArthur: I think there are two competing aspects that we have been trying to balance. One is the need, as the permanent secretary said, to be making regulation based on an evidence base where possible and then balancing that, in appropriate cases, with a precautionary approach, where you can see that there is a risk—you may not be able to completely quantify the risk, but you want to act on a precautionary basis. We do both. Now, licence conditions are legal instruments. They have legal force. In theory at least, not complying with a licence condition is a criminal offence and therefore we want a solid evidence base, where one can be gathered, to support the making of licence conditions, and then the legislation requires us to consult, and there are obligations on bodies such as us about what good consultation looks like, as well as the need to publish the outcomes and give notice. Sometimes that will involve notification elsewhere. It is undoubtedly the case that we need to go faster. We acknowledge the need to go faster. One of the reasons—

- Q51 **James Wild:** Sorry, but I want to come in on that. The first case study is on preventing customers from withdrawing funds from their accounts, which is where people are being stopped by the companies from getting access to their money. Why is it so difficult to produce an evidence base on that point?

Neil McArthur: I think we do need to go faster. I accept that. I agree with you in relation to the need to be more agile in terms of our updating of the regulatory rulebook. Alongside that, I am saying that I think we can demonstrate a good track record of delivery, with two other important dimensions. One is a deliberate policy and strategy of ramping up enforcement to change behaviour in the industry. I think we can see evidence that that is being effective. The second dimension is the working together with partners, including the Government, to develop the national strategy for reducing gambling-related harms. We do need to go faster. I think we are keeping up, but we do need to go faster and I accept that point.

- Q52 **James Wild:** The Report also says: “The Commission acknowledges that some of its licence conditions and codes have not been effective at



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making gambling safer". How satisfied are you and the permanent secretary that the current licence conditions and codes of practice are protecting gamblers properly?

Neil McArthur: I am satisfied that the licence conditions and codes of practice that we have made and the work that we have in train is making gambling safer, and we will continue to work to improve the rulebook. But there is always more to do and there are always lessons to be learned from what you have previously put in licence conditions. When you enforce against it or do compliance, you can see opportunities to improve it. We are constantly looking to improve the way we regulate. We are regularly reviewing the rulebook. We are regularly reviewing our own internal processes and structures to make us as effective as we can be, which is why we welcome the NAO Report so much.

Sarah Healey: I agree with Neil. Clearly, the Gambling Commission keeps a regular review of licence conditions and has shown that it is prepared to change them under evidence that they should be changed in order to tighten restrictions, including in the world of a quite fast-moving industry which is changing quite rapidly. We obviously support its work in keeping those under review. I am sure at no point is any regulatory framework, or any way that it is implemented, absolutely perfect, but in this instance I am confident in the Gambling Commission's ability to monitor that and determine when changes are required.

Q53 **James Wild:** Do you agree with Mr McArthur that the Gambling Commission needs to work more swiftly and effectively to go from identifying a problem, getting the evidence and taking action, if it is justified?

Sarah Healey: If it is justified, absolutely, and I know that the Gambling Commission take that recommendation very seriously. I would just underline that the Government are also committed to proportionate regulation that is evidence-based. We would not want to lose any of those requirements to consult and ensure that that evidence is properly understood.

Q54 **James Wild:** It is, but in both the examples you have just cited, action was taken. It seems to have taken a lot of time to get evidence on how difficult it was for people to get their money out of their online account. I do not think anyone has been able to explain why that is a difficult thing to get.

Sarah Healey: Yes, but what I am saying is: in the process of making things fast, let us ensure that they are also right.

James Wild: I don't think anyone is suggesting anything to the contrary.

Q55 **Chair:** Permanent secretary, I think there is a difference in the cases Mr Wild has highlighted, which are about the process of getting your money back, and some of the longer-term research and investigation into tackling the problem of gambling. Do you acknowledge there are twin tracks there? One is quite well worn with other regulators, and one is specific to gambling.



Sarah Healey: Absolutely.

Chair: Mr Wild, do you want to pick up?

Q56 **James Wild:** Yes, I would like to move on to enforcement. Mr McArthur, you have stepped up enforcement, as we can see from figure 9 in the Report on page 31. What impact do you think that increase in enforcement has had against operators that are breaking the rules?

Neil McArthur: I think you can demonstrate impact in a number of ways. The first thing is that there has been a noticeable change in tone at the top of operators, in terms of how operators will commit themselves and the level of commitment to safer gambling. The meetings that I have with boards of major operators and with their chief executives, as well as meetings with trade associations, tell me that they get it and they understand the need.

The second thing that I think you can see, which is not quite so obvious but I think is really important, is a shift in mindset from a language of responsible gambling, which puts the onus on the individual to keep themselves safe, to a language of safer gambling where operators accept that it is their responsibility to keep their players safe and give them the tools to keep themselves safe. Again, it is one of those things where actions speak louder than words, and we need to keep seeing that.

A more practical example of change as a result of enforcement activity—once again, not a very public example—is that if you go and visit operators now, which I do, you will see their VIP team, their safer gambling team and their anti-money laundering team all sitting together, sharing information and getting a better picture on individual customers. A few years ago, they would have been in three different parts of the building, if they were even in the same building. That sense of getting a holistic view of the customer is undoubtedly the case.

The third thing that I see is investors who are really interested in what we are doing, and applying pressure to boards and senior executive teams. You see that coming through in terms of, for example, remuneration being linked to safer gambling. The last thing I would say is that a lot of our enforcement action ends up in changes in the team leading organisations. Senior executives have had to leave from operators that have been in the crosshairs of our enforcement work.

Q57 **Chair:** Can I just chip in for a moment, Mr Wild? Mr McArthur, on this Committee we have often seen that when the Committee, or indeed other elements of our system, shine a spotlight on a problem, the cleansing that takes place in the company is just to replace the top team. That on its own does not necessarily signify a change, so what evidence do you have that that actually makes a difference, and it is not just people shuffling into the same chairs and doing the same things?

Neil McArthur: The evidence I have is of those people surrendering their personal management licences, which means that they cannot shuffle to another position without having their licence restored by us. Personal



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accountability is really key to our approach to our enforcement, which is why I think you have seen a change in tone at the top, but what we are seeing now is senior executives leaving and surrendering their licences. It is not that they can just go somewhere else; they are leaving the industry.

- Q58 **Chair:** They are leaving the industry, but the company could still have the same policy and the same approach, and could stay lax with new personnel. That is my point. How do you know that they are not?

Neil McArthur: There are two things that let me know that they are not. One is that our compliance activity is very sharply focused on checking to see that lessons have been learned and improvements have been made. If they are not made, then we have shown and demonstrated our ability to get tougher in terms of enforcement and suspend licences if necessary, both operating licences and personal licences. The other element in relation to that is that you can see the change of approach, both among boards and more widely in the industry—for example, the change in the approach that the trade associations adopt, which is much less confrontational than it was just a few years ago.

- Q59 **James Wild:** In the last year, you fined around £20 million, which in the context of an industry with a gross gambling yield of £11.3 billion is something of a drop in the ocean. Are you confident that that is having all those effects that you talked about?

Neil McArthur: Not on its own. While the level of financial penalties, or settlements equivalent to financial penalties, is the bit that very often catches the headline, they are always part of an overall enforcement package, which includes operators having to have action plans to improve things and get third-party audits. That can be accompanied by changes of personnel, as we have just described. It is the overall effect of having been on the sharp edge of enforcement that changes it.

The other thing we do is annually publish an enforcement review that says, “These are the cases that we have done over the past 12 months, and here are the lessons to be learned”. At the end of each section, there is a checklist that is intended for chief executives and chairs to go around their business saying, “Do we do that?” They know that if they don’t, there is going to be a problem with us.

- Q60 **James Wild:** Just focusing on the money, do you expect fines to go up in the next year, because of your tough enforcement approach, or do you think that the impact of the measures and the wider suite of measures that you have talked about will mean there will be greater compliance? Where do you expect the level of fining to go?

Neil McArthur: I don’t know, and the reason I don’t know is that we have clear criteria, which we are required under statute to publish, that set out the factors that we take into account when setting financial penalties, but alongside that we have indicative sanctions guidance that works on the classic “no order principle”, whereby you work your way through what would be an appropriate outcome given the particular facts.



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The reason that I don't know whether fining will continue is that each case is judged on its facts. Fines will continue to increase if fining is the right outcome, but what we are also doing, and what is adding to the complexity of the work that we are doing, is focusing both on other things if lessons have not been learned, so that you are increasingly seeing suspension of licences, and on personal accountability you are seeing increasing action against the personal management licence-holders.

So I don't want to commit to delivering more fines, because, as I say, fining is just one part of our regime—

- Q61 **James Wild:** Understood. But if you are able to give the Committee some of the figures on the senior management licence issue that you have mentioned a couple of times, that would be helpful.

Turning to paragraph 3.11 in the Report on page 30, it refers to the fact that the commission "Revoked the licence of eight gambling businesses and eight senior individuals". Are you able to tell the Committee today what the turnover was of those eight businesses?

Neil McArthur: I'm afraid I don't have that information to hand, but I would be very happy to write.

- Q62 **Chair:** Do you have an idea of the scale—whether it is tiny or big?

Neil McArthur: They will have been smaller or medium-sized operators, but I am—

Chair: Okay. I was just following up Mr Wild's question. Back to Mr Wild.

- Q63 **James Wild:** I will now turn to figure 6 on page 26, which is about "Licensing authority inspections", and obviously they provide information to you under your statutory duties. Are you able to explain why Scottish local authorities in particular seem to have such an abysmal record and are not conducting inspections of gambling premises? That question is to Mr McArthur.

Neil McArthur: The first thing to note is that the arrangements in Scotland are different to those in England and Wales, in terms of it being licensing boards in Scotland and local authorities in England. We have exchanged our views on what we think the powers of licensing boards in Scotland are, and used our Scottish lawyers to help us shape that, but beyond that I cannot account for the difference. There are legal differences—that is undoubtedly true.

- Q64 **Chair:** I think it might be helpful just to bring in Charles Nancarrow from the National Audit Office, just to explain the difference between the Scottish system and the English system in this respect. Did you pick up the bit before, Mr Nancarrow?

Charles Nancarrow: Yes. As I understand it, in Scotland the local authorities are able to discharge their duties through other authorities. In talking to the commission, we found that the Scottish authorities hadn't done as much work, really, to promote the work of those other enforcement agencies, which are able to make the inspections. That



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appeared to be where the difference was.

Chair: Thank you very much, Mr Nancarrow. Back to you, Mr Wild.

Q65 **James Wild:** The Committee has heard evidence that the active black market for unlicensed operators is worth about £1.4 billion in stakes. Is that a figure that you recognise? And what action does the commission take against the unlicensed black market that exists?

Neil McArthur: That is not a figure that the commission would validate.

Q66 **James Wild:** What's your figure?

Neil McArthur: I don't have a figure to help with that. I know that the question of a burgeoning black market is often put forward as a concern—that somehow if the Gambling Commission keeps pushing standards, players will be pushed into the illegal market. That is not what we are seeing, and in any event I would suggest that you couldn't possibly lower standards in the legal market as an encouragement for people not to set up illegal operators.

We are very interested in and focused on illegal operations. We spend quite a lot of our intelligence and enforcement time and energy looking at illegal operations, particularly illegal operators online but not exclusively. We have a fairly well-established process for investigating and disrupting those operators, so we rarely have to prosecute people. Normally, we find that our relationships with payment providers mean that we can disrupt them by turning off their ability to turn players into cash. We have more work to do—

Q67 **James Wild:** Sorry, on that point, is it not in the public interest to prosecute such people who are committing a crime, which is taking money from people and is an illegal activity?

Neil McArthur: It may very well be in the public interest—and if it were, we would—but often we are talking about operators who are not based in the UK, and that brings practical difficulties in terms of prosecuting. As for the outcome we want, which is minimising the risk to consumers of playing with illegal operators who definitely will not be looking after them or their welfare, we have found that disrupting through the co-operative work with payment providers has been a very effective way of doing that. We are constantly keeping the scale of the issue under review. I have seen the reports that have been produced. I don't think the intelligence we have suggests that there is that level.

Chair: I know, Mr Wild, that Sir Geoffrey Clifton-Brown would like to come in on this issue. Would you like to continue this question for the moment and then pass over, or would you like to hand over now?

James Wild: I am happy to hand over.

Chair: Sir Geoffrey.

Q68 **Sir Geoffrey Clifton-Brown:** On the question of illegal gambling, do you



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have any measure of the scale of it and how many operations have you detected, how many have been prosecuted, and how many have you decided that it is not in the public interest to do so?

Neil McArthur: I am terribly sorry; I am not sure I have got—

Q69 **Sir Geoffrey Clifton-Brown:** If you relate to paragraph 3.5, which says that “The Commission has limited access to intelligence about online operators based overseas who are not licensed and are therefore providing illegal gambling services.” How far do you track that?

Neil McArthur: Through colleagues in my intelligence and enforcement team, when illegal operations are brought to our attention, we will investigate them. We have some fairly sophisticated online investigative tools. One of the things we do is track the volume of traffic from the UK towards them. I will not flick through my files, but I think, from the top of my head—please let me confirm this in writing—in the last period that I had figures around we disrupted more than 150 illegal online operations. It is a fairly significant issue. However, as I say, we have tended not to need to prosecute. In fact, prosecution has certain difficulties if people are outside the jurisdiction, which is why we have focused on a disruption and deterrents approach.

Q70 **Sir Geoffrey Clifton-Brown:** While I have got the floor, back to the local authority inspections—paragraph 12 on page 8—is it acceptable that “119 authorities did not carry out any inspections in 2018-19 and around 60 did not carry out any inspections in the last three years.” How can you have proper intelligence if that number of local authorities are not carrying out inspections for the properties they licence?

Neil McArthur: I think that is a fair question. The regime sets out a co-regulatory approach, with premises-based gambling being licensed by us and licensed by local authorities. Our expectation would be that local authorities would carry out inspections on the premises in their area.

Q71 **Sir Geoffrey Clifton-Brown:** Ms Healey, can I ask you whether you think that is acceptable and whether it does require a change in the law?

Sarah Healey: Obviously, it is not for me to determine whether there should be a change in the law. Clearly, when we look overall at the regulatory framework, we will be keen to make sure it is as effective as possible—mindful, of course, that our review of the Gambling Act 2005 is focused largely on changes that might be needed as a result of online, which suggests that we are moving away from land-based operations as a proportion of overall gambling.

Chair: They are still there, but I will go back to Mr Wild and we can make some progress.

Q72 **James Wild:** I do not think that Ms Healey answered the point about whether that was acceptable. She has talked a lot in this hearing about the need to have a firm evidence base, but local authorities are not doing inspections; they do not have an evidence base. Is that acceptable?



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Sarah Healey: Obviously, it is likely that if local authorities did more inspections, we may pick up on more activity that we—or the commission—would otherwise not be able to identify. Obviously, it is for local authorities to determine where their priorities sit. I am sure that everyone would like them to do more of the things that are helpful to people enforcing their particular regimes.

Q73 **James Wild:** Hopefully, the DCMS has a response—apart from the hope that they have been doing things on problem gambling.

Mr McArthur, going back to you, why are you not using approaches that other regulators use? Figure 10 sets some of these things out, but particularly league tables. We have talked about reputation and concerns that investors and others have, and that is a very effective tool that pretty much every other regulator uses. I am pretty astounded that you do not. Why do you not use such tools?

Neil McArthur: We have adopted the strategic approach of combining enforcement, opportunities to collaborate, and exerting influence in other areas such as investor relations. I recognise that there is more to be done, and league tables are certainly something that we are looking at but, as the NAO Report sets out, we do a lot of the things that other regulators do: we produce guidance; we engage with stakeholders and, where we can, we work in partnership; and we reinforce our messages with speeches that colleagues and I give.

League tables are one of the things that we are looking at. From a consumer perspective, to the extent that we have consumer research about this, for any sense of the extent to which consumers might use league tables to help them make a choice of who to shop with, the evidence is inconclusive—that does not seem to be one of the things that particularly motivates consumers. However, we are interested in how we could use league tables to drive competition within the industry. Partly, because of that sense of—

Q74 **James Wild:** May I just come in here? This is something that Ofcom and other regulators have been using for a long time. We do not really need an evidence base on whether league tables are effective—they are. Will you be introducing league tables?

Neil McArthur: We are looking very carefully at how we could use league tables. One of the things that you would want to be sure about is that the league table—however you produced that information—was driving towards an outcome consistent with the commission's objectives. We would not want to create league tables where people compete to go up the league table, as opposed to doing the right thing for their consumers, for example.

Q75 **James Wild:** As an MP, I am interested to know how many complaints were made against the big five operators in the past year. Do you have that information? Can any member of the public get that information?

Neil McArthur: We have that information. I am not sure that we make it public—



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Q76 **James Wild:** Why not?

Neil McArthur: I don't know the answer to that. Certainly, we—

Q77 **James Wild:** You are the chief executive. You could say here, today, that you will publish the number of complaints against the big five—and, in fact, all the other operators—you have received in the last year.

Neil McArthur: I think that takes you into a different area, which is complaints handling generally, which is an area that the Report also points out is one where we can see that issues about what is being determined through complaints handling—

Q78 **James Wild:** That is factual information. Ofcom, for example, publishes regular stats about the number of complaints it gets, or the number of referrals to the dispute resolution bodies. You are not providing a very robust answer as to why you are not doing that. Could I just urge you to consider producing league tables, which every other regulator has judged to be effective?

Neil McArthur: I can commit to the fact that we are looking very hard at the whole question of league tables. It links, to an extent, to the conversation we had earlier, which is that I want to be able to demonstrate in a more timely fashion the impact that the commission is having.

Q79 **James Wild:** Could I just urge you to think harder and a bit faster on that one?

Paragraph 3.17 on page 34 of the Report says, in stark terms, that consumers cannot seek redress for complaints about operators failing to meet social responsibility codes. Why is that the case?

Neil McArthur: I think it is the case because, although the regime that we work under has a very clear focus, one of the big shifts in the Gambling Act when it was introduced was to make gambling contracts legally enforceable contracts. The Gambling Commission requires operators to put processes and alternative dispute resolution measures in place. That focus on contract as the principle dimension for disputes leaves a gap around being treated fairly.

We recognise that there is no comprehensive solution for consumer redress. If consumers come to us with an unresolved complaint around, for example, an operator that allowed them to gamble too much or that did not treat them with good customer service, there is a gap at the moment. We have identified that gap. We are working really hard to make alternative dispute resolution as effective as we can, and we are pushing operators very hard to treat their customers fairly, but how that gap is—

Q80 **James Wild:** Can I come in here again, Mr McArthur? It's a bit of a recurring theme: you identify a problem, but there isn't a solution. This is not a new problem. I would say that it is a huge gap that is causing real harm. I have a constituent who earned £19,000 a year. He gambled that much every year. He was basically putting his pay check into an online



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account one minute after it arrived, after midnight. He was borrowing on payday loans. The company involved, Sky Bet, has a duty. It must identify customers who may be at risk of experiencing harm. It must interact with those customers. Who is responsible for enforcing the social responsibility code obligations for my constituent and other individuals?

Neil McArthur: The responsibility for enforcing the social responsibility code requirements sits with the Gambling Commission.

Q81 **James Wild:** And who is responsible for getting redress if my constituent, or any individual, has not been treated according to the social responsibility code obligations?

Neil McArthur: Therein lies the rub, because the Gambling Commission is not set up and established to produce individual redress for individual consumers. We will want to understand how that could have happened, and if you let me have the details, I will take it—

Q82 **James Wild:** So this gap is a flaw in the 2005 Act?

Neil McArthur: We have identified the gap. We get information from consumers that we use. We can see that alternative dispute resolution fixes the contract aspects, but I can see that there is a gap.

Q83 **James Wild:** Ms Healey, can I get your perspective, please, on what is a very large gap that is causing harm? There is a clear evidence base that there is a gap here because individuals have no recourse under the social responsibility obligations being unmet.

Sarah Healey: No, indeed. The Gambling Commission's focus is on enforcing that code against operators, rather than gaining redress for individuals. In this instance, the overall framework is the reason the Gambling Commission is not doing this, rather than anything that it is not doing that it could otherwise do.

Clearly, there are ombudsmen and other customer complaint bodies that exist in other parts of industry, and they are structured differently depending on the different decisions that different bodies have made. A number of bodies are appointed by a regulator, or they are a specific body established in statute. As part of the review of the Gambling Act, I am sure that Ministers will want to look at this issue because it has obviously been raised on a number of occasions, including in the NAO Report.

Q84 **James Wild:** I would go a bit further than that. It seems to me that the deck is completely stacked against the individual here in favour of betting companies and gambling companies, which are not held to account against individual action. At the heart of protecting problem gamblers is identifying customers who may be at risk of experiencing harm. My individual constituent cannot get any redress other than taking legal action. No one is holding the company to account for that.

Sarah Healey: I suppose I would just distinguish two things. One is that nobody is being held responsible, which is not necessarily the case,



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because the Gambling Commission takes action against the operator. The individual redress—

James Wild: But it doesn't tell the individual if they have done.

Chair: Mr Wild, can we let the permanent secretary finish the point?

Sarah Healey: Which is the one where you are discussing the fact that there aren't specific arrangements in place at the moment for individual redress, outside court action. As I said, it is ultimately a policy decision whether such a body should be established or not.

James Wild: But it is about the effectiveness of intervention—

Chair: Mr Wild, I am going to bring in Sir Geoffrey in a moment. If you could follow that up, I will then bring in Sir Geoffrey Clifton-Brown.

Q85 **James Wild:** It is about the effectiveness of gambling regulation. There is a massive gap where individuals are not being well served or protected by having safer gambling.

Sarah Healey: I am sure that, on these matters, plenty of evidence will be put in front of Ministers when they are—

Q86 **James Wild:** The evidence exists.

Sarah Healey: It is not something for which one can simply decide to change the regime.

Q87 **Sir Geoffrey Clifton-Brown:** To reinforce what Mr Wild is saying, at the end of the paragraph he was quoting—3.17 on page 34—it says, "The Commission receives thousands of complaints each year from consumers, but plays no role in resolving them." In other words, there are literally thousands of people out there each year whose complaints about the gambling industry are not being resolved, Ms Healey. I know, as a Member of Parliament, that this has been going on for decades. Why has it taken so long for the gambling regulation in this country to be altered to reflect that problem?

Sarah Healey: I am afraid I am not really sure I can answer that question. It is clearly the case that a series of changes have been made to the way that gambling has been regulated. The 2005 Act was the crucial piece of legislation, and in 2014 there were further updates to that approach, which looked at other important issues. This is an issue that I am sure we will want to consider in the context of reviewing the 2005 Act. It is absolutely true what paragraph 3.17 says. It certainly implies that the commission plays no role, almost, in the decision, but of course that is just the way that the framework is set up.

Q88 **Sir Geoffrey Clifton-Brown:** I accept that the Gambling Commission has a role in regulating the companies themselves, but in an age when we are expecting more and more openness, and expecting the Government to be responsive to people's complaints, surely it is unacceptable, as Mr Wild said, for our constituents' complaints not to be properly investigated, and



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for them not to be told what the outcome of the investigation is.

Sarah Healey: I am sure that when Ministers take a set of decisions about how changes may be made to the Gambling Act in the future, they will want to listen to those representations.

Sir Geoffrey Clifton-Brown: Thank you.

Q89 **James Wild:** Another piece of evidence that has been submitted to the Committee was about an individual who is a problem gambler and stole £192,000 from his employer. He went to prison and repaid a chunk of that money, and a further part of that fund was recovered from Sky Bet. However, there was still £70,000-odd that was not recovered. There was no joined-up process around the social responsibility and fairness. How can the Gambling Commission know if operators are getting the proceeds of crime if it doesn't carry out investigations of known facts such as this?

Neil McArthur: We do investigate lots of cases each year. One of the features of the strategy that we have adopted over the last few years is that there has been an increasing focus on compliance and enforcement. Where we find failings, we have not been shy about taking action in relation to them.

In terms of the specific case, I am not sure I have the details to hand. I would be very happy to look at it if we don't already have the details of that. I just don't recognise the sense that the Gambling Commission are not taking action. Where we receive information, we do take action. We have been taking increasing action, and I think that the actions that we have been taking are starting to show a change in behaviour.

Chair: Thank you very much. I am going to bring in Peter Grant, and then we are going to go back to Mr Richard Holden.

Q90 **Peter Grant:** Thank you, Chair. Mr McArthur, I want to come back to the questions that I asked earlier about advertising. You may be aware that while the Committee has been in progress, the Betting and Gaming Council, which is a trade representative body, has announced that its members will voluntarily pull all their TV and radio advertising for a six-week period. If that is being done to protect vulnerable clients, as they describe them, during this period, isn't that an admission that previously, at least some of the advertising was likely to be to the detriment of those same vulnerable clients?

Neil McArthur: The whole question of advertising is quite complex. There is some important research going on. GambleAware have been doing research on the impact that adverts have on children and vulnerable people, and they reported some important findings from that quite recently. We have been doing work with consumers to understand the impact of advertising on them. One of the things that our data shows is that people are concerned about the impact of advertising because of the effect it will have on others, rather than on them. You therefore have to understand the effect that advertising is having and its effectiveness in driving behaviour.



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I am aware of the Betting and Gaming Council's announcement about the steps it is taking. I am pleased that it has taken those steps. Previously we had expressed concern about the extent of gambling advertising, which is why we welcomed the whistle-to-whistle ban that was announced a little while ago, and we work very closely with CAP and ASA to make sure that gambling advertising is responsible. We have taken steps to reinforce our licence conditions and code, so that we can step in if the ASA requires. The BGC announcement is welcome and shows, demonstrably, some of the change in tone at the top that I talked about earlier, but the direct link between marketing and advertising is an area that, frankly, has been somewhat under-researched.

Q91 Chair: Mr McArthur, had you asked them to do this? There was a letter from the all-party group—it was in the papers yesterday—that asked for this action, and it happened on Monday. Has the commission asked for this previously?

Neil McArthur: We did not ask for this specific action. We have been in touch with the Betting and Gaming Council, as you can imagine. We have been working to make sure that, wherever possible, they understand the warning that we gave the industry, which they do, and what measures can be taken. We did not specifically ask for this action; this is an action that they have taken themselves.

Chair: Okay. Mr Grant, we are very short of time, but do you want to come back to the wider issue that you wanted to raise?

Q92 Peter Grant: Can I suggest, Mr McArthur, that although the Gambling Commission may not have their own evidence-based view on what impact advertising has on the amount of gambling, the industry certainly has a view? You have only to look at the amount of advertising, and the amount of money spent on it. They think that advertising encourages people to gamble. With that in mind—I will come to Ms Healey later in the context of the upcoming review of legislation—what is the commission's view on the suggestion that gambling advertising should be significantly restricted or eradicated completely, in the same way that tobacco advertising is effectively outlawed in the UK?

Neil McArthur: It is a complex issue, for the reasons I have described. The commission is on the record explaining that it is clear that there is a sense of public concern about the volume of advertising, but advertising is not a matter solely for the gambling regulator in isolation. We have played our part. We welcome the steps that have been taken to reduce it. I think I said before the House of Lords Select Committee that, to an extent, advertising is a bit like the prisoner's dilemma, because a lot of the operators will tell you that they would like to do less advertising, but none of them will do it if everybody else is not going to do likewise. Ultimately these are policy matters, not matters that are principally for the Gambling Commission.

Q93 Peter Grant: I know we are a bit short of time, so can I ask Ms Healey to comment on what plans there might be to change the rules on gambling



advertising when the legislation is reviewed?

Sarah Healey: As Neil has reflected, at the moment the legal position is that gambling advertising, with some restrictions, is legal. As with other issues, changes to that are a matter for Ministers and not for me, but there are clearly issues that they will want to consider in the context of the review of the Gambling Act.

Peter Grant: Thank you.

Chair: I will bring in Dame Cheryl Gillan very briefly; Dame Cheryl has a slight issue with her camera, but we will work through it. Dame Cheryl, could you keep it to a quick question please?

Q94 **Dame Cheryl Gillan:** Thank you, Chair. I want to take Mr McArthur back to the international position. Increasing harms are happening because of the illegal offshore extraterritorial gambling, particularly around surrounding sports. Do you think you are getting enough international co-operation on that front, and do you need further powers? Do you think there is more that can be done to protect people from illegal offshore gambling?

Neil McArthur: As I said earlier, in terms of international co-operation, we work very closely with our regulatory colleagues all over the world. I am in regular touch with colleagues in Europe and other jurisdictions as well. In terms of international co-operation around reducing crime, we have well-established relationships that we draw upon. Where I would push is that the Gambling Commission does not see a lot of evidence—certainly not on the scale that has been claimed in some of the reports produced by the industry—of this burgeoning black market. However, we are looking very carefully at that, and we are constantly vigilant about it.

As I said earlier, the number for the year I had was 189 unlicensed online operators that we had disrupted. We will continue to do that. In terms of our powers, that is another area that we keep under review; we look forward to working with the Government on the Gambling Act review, to see whether there are any additional powers that will help us to be more effective.

Chair: I think, Dame Cheryl, that is another goal for you to take on when the gambling review comes forward. I will move on swiftly, because I am aware of time, to Mr Richard Holden.

Q95 **Mr Holden:** I want to look a little bit to the future, but before we do that, Mr McArthur, you said that you were aware that this was happening today. Had you been told in advance that this would happen during the Committee's session?

Neil McArthur: I was told by my comms team literally as I was just signing off to clear the decks to come to the hearing.

Q96 **Mr Holden:** It would appear, therefore, that the Betting and Gaming Council has deliberately tried to overshadow our hearing with its own announcement today, but that is fair enough, I suppose. Looking to the future, on the data particularly, what more are you doing? One of the



biggest criticisms of the Gambling Commission from the Report is that it just does not have sufficiently robust datasets. That is something we are seeing from both you and from DCMS. Everybody says, "Well, we haven't got the data." What are you doing now to get better data for the future?

Neil McArthur: We have quite a lot of data, and the Report recognises the important information we gather. We have taken steps to improve the information that we get, but we recognise the need to take up the NAO's suggestion of considering ways in which we could analyse data better. The other area that is on the commission's watch list is the opportunity to use big data and technology in a way that protects consumers. We have quite a lot of information. What we have is a lot of information about how people gamble and what they gamble on. We want to build more sophisticated ways of tracking consumer behaviour, through other datasets, better than we have managed to date.

Q97 **Mr Holden:** Have you considered whether one of the things should be asking the banks for anonymised data on transactions?

Neil McArthur: We are working with the banks on particular subjects.

Q98 **Mr Holden:** You are doing it on money laundering anyway, so why not just ask them for the data on transactions?

Neil McArthur: The data that we have asked for is part of the picture; the other bit that we are working on—only recently I had a conversation with the chair of the Financial Conduct Authority—is sharing experience on how you get a better handle on, for example, vulnerabilities of particular client groups. We recognise the suggestions made in the NAO Report in this area. It is an area that we are very focused on making improvements in.

Q99 **Mr Holden:** Can I ask the permanent secretary a question on this? Is it an area that you are looking at, to support the Gambling Commission, as well? Are you working across Government to get better data? We are looking into a review of the 2005 Act. Are you helping the Gambling Commission and, separately, building a dataset for yourselves to inform that review?

Sarah Healey: We will do whatever we can to free up any data sources in Government that would be useful to the Gambling Commission. As I mentioned earlier, there are under way two really significant pieces of research that we think will really assist us in future in better understanding several aspects of this problem.

We have not talked very much in this session about treatment for problem gambling, but obviously that is also a really big priority for the Government as a whole. The review that the National Institute for Health Research is doing on effectiveness of treatment interventions is going to be a very important addition to ensuring that the extra funds available from the voluntary levy agreed by operators are spent on the most effective treatment possible. Also, crucially, the PHE study I mentioned earlier about evidence on prevalence of problem gambling, causes of problem gambling and the harms caused by problem gambling is going to

be an enormous contributor to our targeting the work of the Gambling Commission in future.

Chair: I will leave Mr Holden to pick that up.

Mr Holden: No, go on, Chair.

Q100 **Chair:** Well, Sarah Healey, you have just listed a raft of other reports, reports about treatment, which are all very important, but we are here today talking about the Gambling Commission. I put it to you, at the head of the Department, that this is all good stuff, but it could have been done some years before. If we are trying to tackle the issue and we are talking about collecting the data, why wasn't some of this research done before?

Sarah Healey: I cannot totally answer that question. All I can say is what I said previously in response to Sir Geoffrey's question about why things had not been done before. Clearly, there has been reform in this area in the course of the last six or seven years. It has focused on particular aspects of the problem. Perhaps it has not addressed all of them.

Q101 **Chair:** My issue is not so much about the reform as about the data collection and research being done. You have listed a lot of outside bodies that are doing it. Was this at the behest of the Department, or—

Sarah Healey: This was absolutely encouraged by both us and the Gambling Commission; it was in response to the 2016-to-2018 review on gambling that these gaps were identified.

Q102 **Chair:** So it was encouraged by you. Was it funded by you, too?

Sarah Healey: I don't think it's funded by us, no, but Public Health England is a Government-funded body, so—

Q103 **Chair:** That's one of them, but it is not doing all the research.

Sarah Healey: Well, the National Institute for Health Research is an NHS body. In addition, in the past both the Medical Research Council and the ESRC have funded research in this area, and we would be keen for them to do more.

Chair: And your Department of course oversees all this. I will go back to Mr Holden, for time purposes.

Q104 **Mr Holden:** Obviously, it is good that some research is taking place. I just wonder whether any research into frozen gambling accounts is also taking place; that is obviously an area that we are looking at in terms of historical bank accounts that have become dormant. Are you looking at that area as well?

Sarah Healey: If you're asking me, I'm afraid I don't know. I have not come across any research in that area.

Q105 **Mr Holden:** One issue that is obviously raised quite a lot is suicides related to debt from gambling. Is this an area that the Department has



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any interest in doing research in?

Sarah Healey: Obviously, as I have already said, there is a broad range of harms caused by problem gambling. The PHE review that I talked about is specifically about understanding properly all the range of harms and their impacts.

Q106 **Mr Holden:** Including suicide?

Sarah Healey: I do not know the details of exactly what their study is doing, because they are doing it, but I cannot imagine why they would exclude suicide.

Q107 **Mr Holden:** Finally, looking to the future, the Gambling Commission is constantly criticised for being too slow. Paragraph 19 on page 11 of the Report states that, "The Commission has taken a cautious approach to changing regulations, and some changes have been made via legislation, which has taken a number of years." The Report also criticises the Commission for not being proactive enough in raising standards beyond the expected minimum. Mr McArthur, fixed-odds betting terminals on the high street are limited to £2 a spin, but online gambling, as you have admitted in earlier evidence, is a greater issue and of more concern for people, because it can be done in the home and anywhere. Why are you not arguing for a £2 per spin limit for online fixed-odds betting?

Neil McArthur: We are constantly looking at areas that will have the biggest impact for consumers. At the minute, our focus since October has been on three particular areas. One is the handling of VIPs and the incentivisation of players with that status, because that has been too great a feature of our casework. Another is how we can use advertising technology to make sure that adverts are targeted away from vulnerable groups. The third is that, for this work, we had two industry groups looking at product design and game features that might make games safer for players. We have made progress on that and will continue.

Q108 **Mr Holden:** Surely the safest way is to limit the amount that you can spend, just as we have done with fixed-odds betting terminals on the high street. Why not have limits online in the same way? What is the difference?

Neil McArthur: I think the difference—much as it was in the evidence that we gave during the gambling review, which led to the stake cut—is that I am very mindful of the fact that it is possible to lose a lot of money at £2 stakes. The other thing, as I think I said when I was before the APPG, is that when we gathered evidence for the gambling review in 2018, the vast majority of staking online was already below £2. I know that the group started to touch on the product work. I suspect that the whole question of stakes and how they are managed is likely to be part of the review.

Q109 **Mr Holden:** We are particularly interested in the harms of gambling. Surely the more money people are betting, the more harm there is. As Mr Wild said, if people like his constituent put their entire pay check online as soon as they have it, surely that is the main issue, and looking to



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reduce that is basic. I cannot understand how, yet again, the commission are behind the curve on fixed-odds betting.

Chair: Is that a statement or a question, Mr Holden?

Q110 **Mr Holden:** It is a question. Why is the commission again behind the curve on online gambling?

Neil McArthur: First, as I said, the evidence suggests that most online stakes are below £2 anyway. Secondly, we have judged that there are other features in products around the immersive experience—turbo buttons, for example—that are likely to have a bigger impact for players. Clearly, the question of stakes is one of the features.

I would just go back to the point that our evidence on gaming machines showed that £2 stakes still allowed players to lose a lot of money, so while the change has been made in shops, we are working very closely to make sure that all products are as safe as they possibly can be. Stakes are just one of the factors in making things as safe as possible.

Q111 **Mr Holden:** Looking forward, one of the major concerns for children is loot boxes, an area that has emerged in the last few years. Are you looking at loot boxes, which is a particularly concerning area for gambling in children?

Neil McArthur: The Gambling Commission is very concerned about the blurring of lines between gaming and gambling. The Gambling Act draws the line; to be gambling, you need to be able to cash out and win a prize in money or money's worth. That is where the legislation draws the line, but we have been expressing concern for a number of years now about the blurring of lines. We were in the room when the idea of a concordat between regulators was drawn up; we were one of the first signatories.

We have managed to successfully prosecute people who cross over the line and start allowing children to bet in videogames and then cash out. A couple of years ago, we prosecuted a company called FutGalaxy who found a way to monetarise FIFA coins. We have published awareness sessions, we have run sessions for the gaming industry, and we have worked with Ukie and TIGA on this.

Where the lines are drawn about what is and is not gambling is not a matter for the Gambling Commission; that is a matter for Ministers and Parliament, but I think we have been very proactive in terms of drawing attention to both the risks of blurring lines and, particularly, social casino games which look and feel like slots; you just can't cash out on them. We have a particular concern about those.

Q112 **Mr Holden:** Finally from me, you have just almost encapsulated the issue. You have been talking about how to get advertising targeted away from those most in need, working with the industry to do that, yet today the industry have acted and basically said, "We're going to stop it for six weeks." Aren't you not only behind where the public are, but even behind the industry as an organisation when it comes to trying to deal with gambling harm? It is something they recognise and something you could



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have called for, but it is something they have done without any of that.

Neil McArthur: One of the issues that we spoke about earlier was the commission's ability to influence operators and trade bodies to change their behaviour. A more positive spin on what we have seen today would be that the industry have been influenced by the regulator and by DCMS colleagues to take a positive step, so I am not seeing it in quite the way it is portrayed.

Q113 **Mr Holden:** It seems that a letter went in yesterday from the APPG on gambling-related harm, and the action happened today. In historic terms, the £2 limit—which was what was called for by the APPG as well—went through, and you guys had said, "Something under £30". I think we can see who is the most effective influencer and regulator of gambling.

Chair: That is Mr Holden's opinion, but I am instructed, Mr McArthur, that you were not advised of this in advance. Can we just be clear about that? You did not know this announcement was going to be made; you were not advised by the industry.

Neil McArthur: I knew just before coming into this hearing that the announcement was going to be made today.

Chair: All right, so that is the notice you got. That is useful to know. I think Mr Wild is going to be our final word on this, as time is now running out. Over to you, please.

Q114 **James Wild:** Just to complete on the loot box issue, you gave evidence to the DCMS Committee in July last year talking about this issue, as well as skins and secondary markets. Have you provided any advice to the Government and DCMS on how to tackle what looks like gambling—and, in the case of some of the secondary markets, certainly is gambling?

Neil McArthur: In the context of the issue, we have not provided any specific advice beyond the things that we published more generally. We work very closely with DCMS, and DCMS are very aware of the issue and of the steps we have been taking in working with the gaming industry to try and get them to stay away from the boundary.

In terms of those operators that cross over into our jurisdiction—those who are allowing you to cash out—we have taken lots of action, as I described earlier. The last number I had for unlicensed online activities was 189, and of those, 24 were skins betting sites. We have been quite proactive if you have crossed the line into becoming a gambling operator.

Q115 **James Wild:** That is good to hear. Ms Healey, there is a lot of awareness about this issue. How active is the Department in looking at this? It is another gap in the regulatory system, like the failure to deal with the social responsibility code. Is that going to be addressed in the review?

Sarah Healey: Obviously, DCMS has an interest in this from several different angles, because it is also obviously responsible for the gaming sector and will be responding soon to the DCMS Select Committee report



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on immersive and addictive technologies. It is doing some very serious thinking about these issues.

Obviously, it is not for me to set the scope of the review of the Gambling Act 2005—that is not my decision—but clearly, this is an important development, and the fact that that review has been set up in response to changes on online gambling would suggest that any issues that have been caused by that switch will be of interest to Ministers when engaging in that review.

Q116 **Chair:** Can I just check, permanent secretary, whether you know what the timetable is for the response to the DCMS Committee's report?

Sarah Healey: I don't specifically, I'm afraid, no.

Q117 **Chair:** Is it months or weeks?

Sarah Healey: I would put it at weeks rather than months, but, as the Department is currently dealing, as you will understand, with some very urgent work, it is possible it will be delayed longer than we would have liked. But we will keep the Committee informed.

Chair: Thank you. Mr Wild.

Q118 **James Wild:** If I could turn to the funding of the commission, your budget was £19 million in 2018-19. Paragraph 17 of the NAO Report, which is agreed, states: "The way that gambling regulation is funded does not allow the commission to change licence fees and makes it more difficult to invest in new skills to quickly address changing risks." We have talked a lot in this session about the need to be able to move fast, so how does the current funding model inhibit your ability to keep pace with developments, Mr McArthur?

Chair: I think we might have lost the link to Mr McArthur.

Sarah Healey: Shall I come in?

Chair: I think we'll take the permanent secretary in lieu of Mr McArthur.

Sarah Healey: That's fine. Obviously, we are anticipating some evidence from the Gambling Commission later this year about changes they might want to see to their fees regime. We are happy to explore those.

I should, however, emphasise that full flexibility in the use of funding, which is drawn from industry fees, is not really available to any regulator, because, on anything that is about charging fees to industry, there is a certain degree of predictability that is important in a process like that. Even Ofcom, which has some in-year flexibility, is nevertheless limited by the amount of fees that they collect.

Q119 **Chair:** Mr McArthur, did you hear Mr Wild's question? Your screen froze.

Neil McArthur: No, I am afraid I didn't.

Chair: Mr Wild, will you repeat it for Mr McArthur?



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Q120 **James Wild:** Yes. Paragraph 17 of the Report says that the current funding model makes it difficult for you “to invest in new skills to quickly address changing risks.” How does the current funding model inhibit your ability to keep pace with developments, and, importantly, regulate gambling practices to protect people at risk?

Neil McArthur: We agree with the National Audit Office assessment that the current arrangements are not as flexible as they might be. We are discussing that with DCMS. I don’t know the answer to that. It’s a conversation that’s going on with my board and with DCMS.

Historically, we have found that reviewing fees every four or five years has tended to work. What we are finding is that some of the assumptions in the current fees model, particularly the one around risk being largely geared towards the scale of GGY, might not be as robust as they might be, and we are working with DCMS colleagues to come up with a more flexible approach in the future.

Q121 **James Wild:** Could Ms Healey confirm that powers under the Gambling Act would enable the Secretary of State to change the model through secondary legislation with no need for further primary legislation?

Sarah Healey: That is how fees are fixed, through statutory instruments.

Q122 **James Wild:** That is not quite my question. Can they change the entire model under secondary legislation, rather than just changing the number of pounds that people can pay?

Sarah Healey: I think some aspects of it can be altered simply by secondary legislation, and other aspects might require primary legislation. For instance, the Report talks about financial incentives, and at the moment the Gambling Commission does not have the power to vary on that. It is never as simple as yes or no on those kinds of points.

Q123 **James Wild:** It rarely is in Select Committee hearings, it turns out. Could you clarify what impact consolidation has in terms of the level of fees paid to the regulator? If there is a merger, as there is between two of the big operators, does the overall fee that the Gambling Commission receive reduce, because they are one business rather than two?

Sarah Healey: You might have to ask Neil about the detail of exactly what happens.

Neil McArthur: The short answer is it can have an effect on fees. Mergers and acquisitions is something that we—

Q124 **James Wild:** We have the live example of Flutter and Sky Bet. Have you done any analysis on what that will mean for your fee level going forward?

Neil McArthur: I don’t have the exact details to hand; colleagues will have. We are constantly modelling our fee predictions based on activities like mergers and acquisitions.

Q125 **James Wild:** Perhaps you could let the Committee have a note on the



impact that that specific merger, which is current, will have in terms of the fee level.

Neil McArthur: Yes.

Q126 **James Wild:** I want to return to paragraph 3.15 of the Report, on page 33, which again goes to the evidence about whether regulation is effective for vulnerable constituents. There is the striking statement that “the Commission does not have a mechanism to include the perspectives and experiences of recovered or recovering problem gamblers.”

That seems like a huge gap: these are people who understand and can tell you. They are probably some of the people whose complaints are reported to the commission, but nothing happens. That is a rich source of knowledge from which to build the evidence base that you and Ms Healey keep returning to. I would argue there is a lot of evidence out there, but you are not drawing on it.

Neil McArthur: I would agree with you, although I think the Report paints a slightly starker picture than the reality. We do work with experts by experience and recently we have been working hard to get a better perspective from consumers generally, including people with experience of gambling-related harm. We have aspirations to do even more in relation to that.

As part of the challenges that I described earlier, we did two pieces of work. One was a workshop, and we will want to do future workshops with experts by experience. One was reaching out to GamCare service users to get their feedback on those areas. I think even in the time between the Report being written and us meeting, we have taken some significant steps forward, and I have a very clear expectation that we will go further still. I have been talking with the groups involved with experts by experience and promised them that we are committed to this—and we are.

Q127 **James Wild:** Okay, that is good to hear.

My final question is to Ms Healey. On the basis that prevention is better than cure, how do you explain that the commission gets only £19 million a year to regulate the industry, while the industry has agreed to pay £60 million to treat problem gamblers?

Sarah Healey: I am not sure I understand the basis of the question. They are two different things. The—

Q128 **James Wild:** My point is that if we have effective regulation, we will not have so many problem gamblers. The commission has £20 million to do that, and the industry is paying £60 million to treat vulnerable problem gamblers. That is the question; hopefully you understand it.

Sarah Healey: Obviously, I am always perfectly happy to look at evidence from the commission about why they might need more money to perform their function, but I am afraid I do not accept the premise of the question that the amount of money the commission is funded by is the sole determinant of whether they are an effective regulator or not.



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Q129 **James Wild:** I didn't say that—I was drawing a comparison between the funding they get and the amount, which is triple that, which the industry is paying for problem gamblers. Why would the industry be putting so much money into problem gamblers if—

Sarah Healey: I really welcome the fact that the industry has decided to put more money into problem gamblers. We are obviously really keen that the Gambling Commission has what it needs to be able to effectively perform its function in protecting children and vulnerable consumers, but I am afraid I do not accept the premise that the amount of money they get is the issue here.

Q130 **James Wild:** You say "effectively", but you cannot even put a number on the desired reduction in the number of problem gamblers—a number that you said is relatively small but which counts into the hundreds of thousands.

Sarah Healey: To return to what I actually said, I said that I was not sure that the best possible measure of effectiveness was an overall reduction in the blanket single number of prevalent—

Q131 **James Wild:** I don't think anyone said that it was.

Chair: Let the permanent secretary finish. We need to get to the end.

Sarah Healey: I personally think it is very welcome that the industry is funding treatment. I am obviously always prepared, and I know the Gambling Commission will submit evidence to us about future funding requirements. I will take that into account really seriously.

Chair: Thank you, Mr Wild. I would add that £19 million is one of the smallest budgets for any regulator, and I think you have understood the seriousness with which we all take this issue.

I thank our witnesses for coming today to the first virtual hearing of this Committee. We will produce a report in the next month to six weeks, and we look forward to your response to that. I think you will also get a rich seam of interest in the review of the 2005 Gambling Act, whenever that takes place.