HOUSE OF LORDS

Select Committee on the Social and Economic Impact of the Gambling Industry

Corrected oral evidence: Social and Economic Impact of the Gambling Industry

Tuesday 3 September 2019

3.25 pm

Watch the meeting

Members present: Lord Grade of Yarmouth (The Chairman); Baroness Armstrong of Hill Top; Lord Butler of Brockwell; Lord Foster of Bath; Baroness Meyer; The Lord Bishop of St Albans; Lord Smith of Hindhead; Lord Trevethin and Oaksey; Lord Watts; Baroness Wyld.

Evidence Session No. 4	Heard in Public	Questions 36 - 43

Witnesses

I: Sir Alan Budd GBE, former Chairman, Gambling Review Body; Dan Waugh, Partner, Regulus Partners.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Sir Alan Budd GBE and Dan Waugh.

Q36 **The Chairman:** Good afternoon and welcome. Thank you so much for taking the time to help us with our inquiry, which, essentially, is looking at the way the gambling sector has progressed and the harm that it may or may not be doing. A list of the interests of Members relevant to the inquiry has been sent to you and is available. This session is open to the public, is broadcast live and is subsequently accessible via the parliamentary website. A verbatim transcript will be taken of the evidence and put on the parliamentary website. A few days after this session you will be sent a copy of the transcript to check it for accuracy. It would be helpful if you could advise us of any corrections as quickly as is humanly possible. If, after this evidence session, you wish to clarify or amplify any points made during your evidence, or have any additional points to make, you are more than welcome to submit supplementary evidence to us. Perhaps I may ask you to introduce yourselves for the record and for the cameras.

Sir Alan Budd: I was chairman of the Gambling Review Body.

Dan Waugh: I am a partner at Regulus Partners.

Q37 **The Chairman:** Thank you very much indeed. We are going to crack on. You know the form. We will parcel out the questions as we go. I shall take the Chairman's privilege and kick off. Some quite radical changes were introduced after the Budd report. As you now look at it from a distance, has it turned out as you had hoped or anticipated? How do you feel about the way the sector has developed?

Sir Alan Budd: My Lord Chairman, perhaps I may start with a bit of a disclaimer. As I explained to your clerk, my knowledge of the gambling industry really ends in 2001 when I submitted my report. Although there have been times when I have been aware of what is going on, I have not been a student of it. This is a role which is much better performed by Dan Waugh on my left.

What might be interesting to start with is the fact that we produced a report in 2001 and in 2005 the Gambling Act was passed. The Gambling Act reflected a very high proportion of our proposals, but it did not include them all. It failed to agree statements that we made which were particularly about caution regarding the rather radical changes that we were suggesting and there was a great deal of suggestion that these changes and their consequences should be reviewed within a reasonable time. Some of those proposals were not accepted at all while others which were accepted have not in fact been implemented. At this stage I would like to pass this to Dan Waugh, who has written a very excellent paper about the relationship between the Budd report and the Gambling Act. Perhaps I may do that, but I will happily come back and say more.

The Chairman: I would like to come back to you on a general matter of principle after we have heard from Mr Waugh.

Dan Waugh: The Gambling Review Body was asked to consider a period running up for 10 years, so the end of the period that the Gambling Review Body was asked to consider was 2011. The time to ask the question about whether the Gambling Review Body was satisfied that things had panned out in the way it expected was around eight years ago rather than today. That is probably the first comment to make. I suppose the other point is I am not sure how many recommendations made in the report could be considered to be truly radical. It might be helpful to understand which of those were. With hindsight, the ones which appeared to be the most radical were around casinos. Certainly, those were the ones that attracted the most attention at the time. However, the casino reforms that have been brought into place do not appear to be particularly radical. It would be useful to understand which reforms were considered radical.

The Chairman: I think it was that the principle underlying the expansion of the market and the regime for licensing seemed to envisage an age where you did not have to prove the demand test, freeing up the market for consumers to enjoy and have choice, et cetera. Philosophically, that seemed to me to be the most radical shift in government policy.

Dan Waugh: The report acknowledges that and says that, under the Rothschild Commission, gambling was an activity to be tolerated but not in effect to be stimulated, which was an important philosophical change. I suppose my observation is—and this is a very important point—at the time of the Gambling Review Body, the gambling industry in Britain was predominantly land based. It was bingo clubs, casinos, betting shops, trackside betting and arcades. I do not think the authors of the report really knew too much about the online gambling market because it was so small.

When we think about unstimulated demand and what effect that has had, if we compare the prevalence survey in 1999 to the prevalence survey in 2016, which is the last major one we have, of all the forms of gambling that were measured in 1999, all bar two of them have gone backwards in terms of participation. The ones that have increased have been online gambling, which was tiny at the time, and private lotteries. When we think about unstimulated demand and how that was applied and how the review body was thinking about how unstimulated demand would affect casinos, bingo clubs, arcades and betting shops, the truth is that the dropping away of that sort of philosophy has not led to an expansion in terms of people accessing those products. In fact, what has happened is there has been a decline.

Sir Alan Budd: Could I go back, Chairman? In 2000-01 the environment when we were producing this report, as Members of the Committee will remember, reflected a time when gambling had received official support and encouragement through the launch of the National Lottery, so it was very hard for the Government to hold the position that they did not approve of gambling. There was an increased belief in the importance of personal choice and that what individuals wanted was an important indicator of what they should have. There was also a belief that markets and competition were an efficient way of meeting consumer wishes. I have given it a label here of "Thatcher/Blair liberalism". This was the predominant way of thinking about matters and we incorporated gambling, as no doubt we reflected what we took to be the view of economic activity, and this sounds more casual than perhaps it should, as yet another consumer activity. We were looking at a consumer activity in a way that we might look at any other consumer activity and therefore asked ourselves the question: in what ways will the consumer be best satisfied? If the consumer wishes to gamble, how can we ensure that he does so in a way that is cheap, efficient, effective and enjoyable? That was quite a major change, as Dan has said, from the previous view of gambling as something that we knew went on, but we did not really want to encourage it. That was a radical change. It was seen as a radical change at the time and it led to the recommendations we made.

The Chairman: If you look at another activity, drinking, which is freely available and is a licensed activity where pubs must be licensed to sell, and the protections built in are for selling or providing alcohol to underage people, in that world of alcohol there is a problem of alcoholism; there are hard cases and people's lives are destroyed. However, we do not look at the alcohol industry as if the distillers have a duty of care to alcoholics and people whose lives are destroyed by alcohol. If you look at gambling, it can also be addictive in a minority of cases. Should the rules be different? Should we be concerned and take government action, statutory action or some form of stiff regulatory action to try to eliminate the harm that we know it causes, or is that the price you pay for the freedom of the consumer to enjoy a flutter?

Sir Alan Budd: We wrote at length about problem gambling in the report and devoted a great deal of time to thinking about it and writing about it. We fully recognised that there was something called problem gambling. We defined problem gambling narrowly rather than broadly. I might come back to that. There were cases where excessive gambling could destroy households and destroy people and be immensely harmful. We recognised and believed that it was correct that regulation should be used not only to prevent criminal activity but to protect the vulnerable. That was one of the main objectives of our proposals and it was one of the objectives we were asked to examine in our terms of reference. Certainly, we believe that the control and regulation of gambling should include the desire to do what can reasonably be done to minimise the risk of problem gambling. To get rid of problem gambling is perhaps an impossible task.

There is a long chapter in the book about the difficulty of the balance between on the one hand the freedom of the individual to behave as he or she wishes and the need to protect the vulnerable, and we gave our estimate of where and how this balance should be set. We also recognised that in the end this was a political matter and not one which a committee was qualified to judge; it was for the Government to decide where they should set the balance, but we shifted it away somewhat from regulation and prevention towards freedom. We admitted we had done that because we thought in the circumstances that it was reasonable to offer choice. As far as the environment was concerned, at the time we were writing our report there had been considerable deregulation of drinking with the abolition, for example, of licensing hours, so it was part of a world which was being deregulated in favour of the consumer.

The Chairman: Is there anything you would like to add to that?

Dan Waugh: There is a small point. I think it is generally accepted that in terms of harm prevention we expect the state to set appropriate laws and for them to be enforced. We expect the industry to behave ethically in accordance with those laws and perhaps a higher social purpose.

The Chairman: Who is the "we" in that sentence?

Dan Waugh: Sorry, I do.

The Chairman: The "royal we".

Dan Waugh: Yes. I would expect the state to set appropriate laws and the gambling industry to behave ethically and in accordance with those laws. It is also important that consumers take responsibility for their actions. Over the past five or six years we have seen a shift. In the past there was perhaps an overemphasis on the responsibility of the individual in gambling and not as much emphasis as ought to have been the case on the companies. We have seen that shift, but there is a danger in it shifting too far because individual autonomy is a critical component of harm prevention. If consumers are not responsible for their own actions that can lead to some fairly negative consequences.

The Chairman: Before I call on Lord Butler for the next question, I know that Lord Watts is trying to get in.

Lord Watts: When you did your report, did you take into account the fact that it is easy for people to gamble offshore in unregulated establishments? Was that taken into account when you made your recommendations? Were you aware of how easy it is for potential gamblers to gamble outside the regulated market?

Sir Alan Budd: Yes, we did. At that stage, online gambling, as I will describe it, was a relatively small activity. The iPhone was not introduced until 2010, for example, so the facility to engage in online gambling was very much reduced. It was new and an activity that we did not know very much about. Our proposal was to make legal the provision of online gambling from a domestic base. At the time of our report it was illegal for a UK-based company to provide this activity. They could not provide online gambling because the law required the punter to be present where the game was being played. We said it should be legalised and that the ability to advertise these activities should be limited to those who were registered in the United Kingdom.

We thought that while we could never stop there being access to overseas sources for online gambling, registration within the UK would cause people to favour UK-based companies, the regulated companies, rather than companies being regulated in other regimes. We were very aware of the ability of any individual to gamble using an overseas supplier of online gambling if he or she wished to do so, and that was one of the recommendations which was not accepted.

Lord Watts: That has not happened in the sense that, as I understand it, a number of Premier League football clubs are being targeted by the offshore gambling industry and there is talk about the legislation having to catch up with that.

Dan Waugh: This is probably a reference to the fact that some sports books that are not facing Great Britain, but may be targeting customers in Africa or Asia, have managed to agree sponsorship deals with Premiership clubs despite not being licensed by the Gambling Commission because they have white label agreements. Clearly that causes concern. The Gambling Review Body could not have anticipated this as it has only grown up in the last few years.

The Lord Bishop of St Albans: Very briefly, to Sir Alan Budd, I think you said that you accepted that there are problem gamblers and this was one of the issues that one needed to take into account. In the early stages of our discussions, not least with our professional advisers, we have been given a history of the different language and concepts that have been used. While at one point the industry in particular, was using the language of "problem gamblers", many researchers and people who are working with those who might deemed to be victims would want to use the language of "gambling-related harm". In other words, is the nature of the issue the person who perhaps might be deemed to have little self-control, and we always have some of those and so on and that is something we have to put up with, or is it that there are certain types of very addictive products which might be causing some of the problems? At that stage were you aware of the different language that was being used, one by the industry and the other by charities and researchers?

Sir Alan Budd: I think we were aware of both aspects and contexts because of the evidence that was submitted to us, either written evidence or people who came to see us. We were aware of both potential sources of harm. Let us use the word "harm", although it is difficult. Could I make a comment here? I fully understand that there are those who sincerely believe that all gambling is wrong, and in that sense all gambling is harmful because the person who is doing it is doing something which is morally wrong. I spent a lot time talking to people about why they believed that, so I fully understand the arguments that are used. We prefer to limit our concern about harm not to the moral sense of harm but to a more clinical sense of harm. There is a difficulty when reading and understanding comments on the gambling industry in distinguishing between those two forms of harm. I persist in trying to make the distinction between them. I think there is something called clinical harm, whatever its extent or cause, which should be distinguished from what I will call moral harm. A Government can choose to legislate because of their views on moral harm and of course they have every right to do so, but in the environment of the time we did not think that that was what the Government thought was appropriate for them to do, hence the proposals that we made.

Dan Waugh: We bandy these terms around, but problem gambling is a term that originates in clinical psychiatry, so it is a clinical definition. In fact, under the latest *Diagnostic and Statistical Manual of Mental Disorders* it has gone because we now we call it "disordered gambling". I take your point that it is confusing and we have a number of diagnostic terms, but the problem gambling term comes from clinical psychiatry, not from the gambling industry.

The Lord Bishop of St Albans: What we were being led to believe is that is not the current preferred language being used by the medical profession any longer.

Dan Waugh: The American Psychiatric Association now refers to disordered gambling.

Lord Butler of Brockwell: May I follow up the implications of what you were saying earlier about the evaluation of the impact of the Gambling Act? I think, Sir Alan, you said that you recommended that the changes should be reviewed, and you specifically recommended a review of gambling by children after five years of the review. The Government have talked about triennial reviews. There was a triennial review in 2013 which seemed, since it was eight years after the passing of the Act, a not very suitable interval. They promised another review in 2016, three years later, which I understand has not happened. Is it your view that there has been insufficient evaluation of the impact of the Gambling Act and indeed of developments in the gambling industry?

Sir Alan Budd: Yes, it is my view. The answer is yes. We recommended the five-year review of children using gaming machines, but that has not happened. We also recommended that the Gambling Commission should have constantly under review the effects of any changes that were introduced in the Act, and that has not happened. Dan is probably best qualified to answer.

Dan Waugh: It is worth pointing out that the 2016 review happened. The triennial review is a term that is meant to indicate that there will be a review once every three years. In fact, the 2016 triennial review took about three years to conclude. We had triennial reviews in 2013 and 2016.

Lord Butler of Brockwell: The 2016 review took three years, so was it completed this year?

Dan Waugh: It was completed in 2018 and the recommendations were implemented this year. The 2013 triennial review had a very narrow scope. It looked only at stake and prize limits on machines. The 2016 review had a broader scope but the only thing it opined on was stake limits on machines. While we have these review mechanisms, arguably they have been used to consider a very narrow set of issues and could be used more sensibly.

Lord Butler of Brockwell: Why has there been insufficient evaluation of the impact of the 2005 Act?

Dan Waugh: My guess is that it was a very painful process for most of the people involved in it. It became very controversial and it was in the media spotlight. Political careers were damaged by it. There was a sort of collective amnesia about gambling policy in the wake of the passage of the Act and nobody involved really wanted to go back and review it. Because of that, we have accumulated a lot of issues that could have been dealt with earlier had we had a proper review as had been recommended.

Lord Butler of Brockwell: Can you be more specific about political careers being damaged by it?

Dan Waugh: There was one former Culture Secretary, who is sadly no longer with us, who was treated very unkindly by the national press over proposals within the Act for casino reform, for example.

Lord Butler of Brockwell: I address my last question to Sir Alan. Is it too cynical to suggest that our own department, the Treasury, may have been reluctant to see reviews because the gambling industry was such a milk cow of revenue?

Sir Alan Budd: I have always denied and still deny that anything we proposed was in response to urging from the Treasury. I would not have listened to such urging. In the proposals we made that was not in any sense at all our objective. Whether subsequently there has been some tension and expression of view from the Treasury, I would not be in a position to know, but it certainly did not in any way at all colour the proposals that were included in the report.

Q38 **Lord Foster of Bath:** The context of my question is that in your report, Sir Alan, you recommended the establishment of a voluntary scheme to provide funding for research, education and treatment. Currently that voluntary fund provides under £10 million, although we understand that potentially it is shortly to go up to £55 million to cover research, education and treatment. We also note that at the time of your report there were two funded NHS clinics dealing with gambling problems. There is now only one and we are about to go back up to having a second one. You said at the time that the amount of funding available for treatment was paltry. In the light of what has happened subsequently, and I accept you are not a student of it, but you will have heard, do you have a view on how much money should be being raised to fund treatment? Do you have views on where the NHS should fit into the provision? May I cheekily ask whether, having said all those years ago that there should be a backstop power possibly to move to a statutory levy, you believe the time has come to do that?

Sir Alan Budd: One of the questions you asked me is how much money should be spent on the treatment of problem gambling and I honestly find that impossible to answer. I have no idea what the answer is. It would require very careful study and analysis, which I think is worth undertaking, of how much should be spent, but I am not in a position to comment on that.

We made proposals about how the treatment of problem gambling should be organised, which included an enhanced role for the National Health Service. We thought it should be a combination of the voluntary bodies that try to treat problem gambling and that the NHS should also be involved. Again, I do not have a strict view on precisely how that should be organised, but I continue to share the view that the current provision of funding and NHS time for problem gambling is insufficient. Whether it will be sufficient after the latest report of larger contributions from the gambling industry I do not know because of my difficulty in answering the question of how much is needed. I would certainly preserve the backstop, as one may call it, of making contributions compulsory.

Lord Foster of Bath: It is an inappropriate phrase!

Sir Alan Budd: It is just a word I had heard in passing.

Lord Foster of Bath: I would be grateful to hear from Mr Waugh.

Dan Waugh: The only thing I would add is that GambleAware has received £31 million in the past two years, some through voluntary contributions and some by regulatory settlement. A large chunk of the money remains unspent although the charity has made substantial forward commitments. Other groups receive money from the industry and the industry funds the Gambling Commission itself, which has a role in the protection of the vulnerable. It is wrong to simply look at the voluntary pledges to GambleAware and say that is all the industry spends because that is only looking at part of the picture. A big chunk of the money, including funds directed by the Gambling Commission, remains unspent and we have not had a proper needs-based assessment of how much is needed. That really ought to come first because without it we are likely to end up wasting resources. Going back to the Budd report, one of its wisest recommendations was that there should be an evaluation of treatment, so we know what works. That is only just starting to happen now, some 18 years later.

Lord Smith of Hindhead: Sir Alan, the drinks industry does not specifically have to pay for liver disease treatment; the smoking industry does not specifically have to pay for lung disease treatment; the motor vehicle industry does not specifically have to pay for car accident treatment. Why do you think the gambling industry ought to specifically pay for dysfunctional gambling treatment?

Sir Alan Budd: Another question which has occurred to me as you speak is why the drinks industry is not required to contribute.

Lord Smith of Hindhead: But that is not my question.

Sir Alan Budd: I know it is not your question and I must answer your question. I think it is correct that the gambling industry should contribute to the cost of the treatment of problem gambling. I am not an expert on alcohol, alcoholism or the drinks industry, but I can see fairly clearly the way in which the activity of gambling provided by the gambling industry results, in some cases, in harm. I cannot necessarily distinguish that from the provision of alcohol, which in some cases can result in harm, so my honest answer to your question is that I do not know why only the gambling industry should be treated in this way and other perhaps similar industries are not so treated.

Q39 **Baroness Meyer:** I am going to talk about children. The Act followed most of the review's point of view on gambling by children. With hindsight, do you think this was the right approach? I am particularly interested because, to follow up one of the questions, tobacco and drinks are illegal to children under the age of 18. Should gambling be illegal for children who are under 18, which is the case in most other countries? In hindsight, would you have treated the issue of children quite differently?

Sir Alan Budd: The review body spent a long time discussing this specific issue because we were aware that nowhere else in the western world were children allowed to play on gaming machines. I can admit that it was a close thing as to whether we should propose that it should be stopped and they should not be able to do so. A number of the measures we proposed and which were adopted reduced the opportunities for children to play on gaming machines because there were machines in fish and chip shops and such like, and that was accepted. It was a very close thing, but at the time we were persuaded of the local importance of seaside amusement arcades to their economies. I would ask Mr Waugh if he could comment on what I believe is a piece of evidence, subsequently a study, of the relationship between childhood gambling and problem gambling in later life because that is clearly the worry; that children can become children problem gamblers or will later become problem gamblers.

Baroness Meyer: Like smoking.

Sir Alan Budd: Absolutely, but may I ask Mr Waugh to comment?

Dan Waugh: I think it was a finding from the British Gambling Prevalence Survey that problem gamblers have, on average, an age of initiation in gambling about two years younger than non-problem gamblers, so we ought to be concerned about youth gambling not simply for what happens to children when they are children but what happens when they grow up. With respect to the machines, you are right that it is anomalous that we have legal machine gambling for children.

Baroness Meyer: Apparently machines are the most addictive, particularly for children. That is what we have heard.

Dan Waugh: Fast, highly repetitive forms of gambling are those that we should be more concerned about, that is certainly true. There was one study in 2011 around problem gambling among adolescents in Great Britain by Professors Forrest and McHale. They looked at whether there was any correlation between problem gambling among children and seaside towns and they found no correlation. They found if you lived in a seaside town, children were more likely to gamble but not any more likely to be problem gamblers. I suspect that allowing machine play for children will continue to be a controversial issue, but these are low stake/low prize machines. The Budd report recommended that the stakes and prizes on these machines should be frozen, and that is what has happened, so we have not seen any increase on them. I suspect we are moving into a world where children playing fruit machines will not be the biggest concern that we have about children gambling.

Baroness Meyer: And what about education at school: is something going to happen about that?

Dan Waugh: I declare an interest because I was chairman of an organisation called YGAM for some years which provides education to teachers, so they can go back into their schools and as part of their PSHE curriculum they can help children understand the risks and dangers of gambling. My view when I was chairman of the charity and now is that it is a good thing to be looking at and to be trying. In other domains where these things have been tried, quite often you will see that while it increases children's awareness of risks, it may not affect their behaviour. We all think that education should be an important piece of any strategy to prevent harm among children, but it is complex and dealing with children is difficult. Yes, it is a good thing to try but we ought to be quite careful and ensure we know what we are doing as we proceed through.

Q40 **Baroness Wyld:** I should declare that since the Committee last sat, I have been appointed as a non-executive member of the board of Ofsted. I wanted to ask specifically about the other form of gaming. When we talk about gaming, I think about iPad gaming and "Minecraft" and "Fortnite". We have heard a little bit of a suggestion in other sessions that there may be a link between games where you are playing for skins or you are accumulating coins and future problematic behaviours. Do you think that it is worth spending any time researching this and putting investment into this area or would you argue that that has always been there in different forms in, for example, Nintendo before iPads? Do you think we are looking for problems that are not there?

Sir Alan Budd: Are you directing that question to me?

Baroness Wyld: Either of you.

Sir Alan Budd: I am not able to answer your question. It is only recently that I realised that the word "gaming" has been captured from the gambling industry and applied to these other activities, using iPads and so on.

Baroness Wyld: It has changed.

Sir Alan Budd: For a long time I was confused by the discussions I heard about gaming, which were in fact about playing games. That is just one of those things that has happened. I watched evidence on gaming to the Culture, Media and Sport Select Committee and I listened with interest because I was learning about it for the first time. I realised that of course there are cases of what one might call pathological game-playing by children and teenagers who cease to be part of society because they are so locked up in their games, but that is the end of my knowledge about it.

Baroness Wyld: In that form of fast gaming where you are playing to get something, to win something, is it worth looking at whether there is a correlation between that and problem gambling, or do you think we are looking at a problem that has not arisen, if that makes sense?

Dan Waugh: I have to admit that I am not overly familiar, but there have been studies looking at engagement in social gaming and the future progress of gambling. I am not sure there is any conclusive view from research on this yet, but the World Health Organization has classified what you are talking about as a disorder, and I know another of your witnesses has expressed deep concerns about this. We are probably not the best people to ask, but there are probably valid grounds for some concerns. At the same time there have been studies showing that people derive benefits from playing these games as well, so we have to weigh these things in the balance.

Lord Smith of Hindhead: Mr Waugh, you mentioned that people in seaside towns were two years younger than the average age when a person became a problem gambler. What is the average age?

Dan Waugh: Sorry, it was that the age of initiation for problem gamblers was two years younger.

Lord Smith of Hindhead: Two years younger from what?

Dan Waugh: From non-problem gamblers.

Lord Smith of Hindhead: But what is the age?

Dan Waugh: I would have to check. It is in the British Gambling Prevalence Survey.

Lord Smith of Hindhead: If we do not know the age, we cannot deduct two years and find out what the age is.

Dan Waugh: There is not a single age, we are saying on average, but I can come back to you with the data from the British Gambling Prevalence Survey.

The Chairman: It would be helpful if you could write to us.

Lord Trevethin and Oaksey: Could I pick up one thing you said which I did not quite follow? You were asked about the absence of education programmes to inform children about the hazards of gambling. We all know there are such programmes in relation to tobacco, drugs, alcohol and irresponsible sex, but so far as I am aware there is no programme in our education system which is designed to inform children about irresponsible gambling, which a lot of gambling is. You said that the issues that arose in relation to that question, namely whether there should be a gambling-related education programme, were complex. I took that to indicate a view that there were considerations going both ways.

Dan Waugh: First, the question about whether there should be education within the curriculum has been asked in the House of Commons on several occasions and when the Government have answered they have reeled off a whole list of other things that people are saying children should be taught about. There has to be a recognition there is only so much room in the curriculum and we have to ensure that we are teaching children the right things. My point is that simply telling children that gambling is a risky business or the bad things that can happen and so on may not lead to positive changes in their behaviour. When we are dealing with children we have to tread very carefully. We need to ensure that when we are talking to them about things such as gambling we understand what they are doing with that information because it could be that it has unintended negative consequences.

Lord Trevethin and Oaksey: What would you think of a programme that introduced children to rudimentary probability theory which would tell them that when they put money into a fruit machine or into a virtual casino they will only get back a fraction of that which they put in?

Dan Waugh: That is a nice idea and certainly where people have distorted expectations of gambling, that can lead them into difficulties. We have had some pretty good research in this country—it is the Avon Longitudinal Study of Parents and Children and there are gambling questions in that. It found that those children who experience difficulties in relation to gambling typically have higher maths IQs than those who do not.

Lord Trevethin and Oaksey: They might benefit all the more from a little bit of probability.

Dan Waugh: It is possible. The evidence we are seeing is that misunderstanding of probability is not necessarily the major thing we have to be concerned about, but these things have to be tried and tested.

Baroness Meyer: In reality, does it not come down to the conclusion that children up to a certain age should not be allowed to gamble? I do not understand what the advantage of children gambling could be?

Dan Waugh: Any age that you apply is arbitrary to a degree, but, yes, we should protect.

Baroness Meyer: It is the same as smoking.

Dan Waugh: Yes, and I suppose at the time of the Gambling Review Body the age for smoking was 16 and now it is 18. Generally speaking, people would say that gambling should be an age-restricted activity and it should be for adults. However, when you have a National Lottery which is at 16 that starts to unpick that, does it not?

The Chairman: We have noted that.

Q41 **The Lord Bishop of St Albans:** The report suggested that the Gambling Commission should monitor the impact of gambling advertising. Could you say a little more about what sort of monitoring you had in mind and whether you thought that might result in some actual actions or changes depending on what was found?

Sir Alan Budd: What we had in mind was that the Commission should seek to measure the effect of advertising on gambling. Here was a proposed change in regulation. Therefore it was in principle something the effect of which could be measured: the effect of advertising on gambling and particularly on problem gambling. This is a notoriously difficult task. We all know that trying to measure the effectiveness of advertising is one of these more or less hopeless tasks that people try to undertake.

Also, we were concerned with whether certain types of advertising would particularly target the vulnerable and that the providers of gambling would devise ways and think of ways which were particularly effective for those whom we wished to protect and whom we thought ought to be protected. That was the type of effect that we were expecting the Commission to monitor as well as to be involved in drawing up advertising codes of conduct so that they could watch this very closely and see what its effects were. From what I understand, the greater risk where the vulnerable are concerned comes not from advertising as it is generally recognised, but from the very skilled targeting of individuals through social media, and that would have been unfamiliar to us in 2001. We did not have that in mind as a possibility, but we continue to believe that the Gambling Commission should be monitoring this. Again, Mr Waugh's views might be more relevant than mine.

Dan Waugh: I was just going to add that again we have to put ourselves in the context of the time and in the context of the time it is quite clear that when the review body made its recommendations around advertising it was thinking about betting shops, casinos, bingo clubs and arcades; it was not thinking about smartphones, in-play betting and so on. That is important because if you are watching television, for example, and an advert comes on for a casino, it is unlikely that the advertiser expects you to jump off your sofa at that point, get into your car and drive to the casino, but where remote gambling is used in advertising, which is what has happened, it is quite clear that the adverts are designed, where they are linked to a sporting event, to get you to transact.

The nature of what is being advertised is quite important to bear in mind because that also affects tone. Part of the issue around the advertising for remote gambling—perhaps this leads into your question about Gambling Commission oversight—is that it is highly transactional. Most advertising is not transactional in that way. Most advertisers are not trying to get us to transact in the moment. It has perhaps led to the fairly aggressive use of advertising in the past by the gambling industry because it has been the remote industry which has taken advantage of this change in the law; and in 2001 the remote industry did not exist on the scale that it has since grown to. It is important to understand that.

The Chairman: Sorry to interrupt, but advertising is a very generic and misleading term in today's technological world. I do not know whether you saw the "Panorama" programme on gambling a few weeks ago, but you could call it advertising when "problem gamblers" were being marketed through their accounts online, "Here's another £1,000. We are giving you £1,000". That is advertising. It may be just a single targeted intervention by the betting company to an individual punter, but that is a form of advertising. When we use the term advertising we think of an ad on ITV or Channel 4 that is a broad brush stroke, but today it is a much more complex transactional arrangement because you are addressing individual account holders directly through marketing. Do you think we and the regulators understand that?

Dan Waugh: The first thing to say is what you are describing is not unique to gambling. That is about the internet and how it is used for all manner of consumption of things. There may be very specific reasons to be concerned about that with regard to gambling, as the "Panorama" programme drew out. Advertising has become far more complex, which I think is what you are getting at.

The Lord Bishop of St Albans: Some of us think it may be slightly different and be like alcohol companies individually targeting somebody who has an alcohol problem or addiction. May I take you on one step? There are some people who would say that the industry is not acting responsibly in advertising. The illustration that is often used is the statutory obligation to warn people. The tag line is "When the fun stops, stop", but the big word which flashes up in capital letters and is a different colour is "fun". In other words, the subliminal message that is given is not, "Be careful" but, "This is fun". Did you foresee that that sort of thing may be an issue when advertising was deregulated?

Sir Alan Budd: We were aware that advertisers are clever and it is their job to persuade people into various activities. It does not therefore surprise me that in their adverts they emphasise what they see as the positive side of gambling rather than the negative side. I do not think anything that they have done has surprised me, but as Dan has said, what has changed enormously is the methods they can use. I completely agree with the Chairman that they can now be cleverly and clearly focused on an individual. We did not have that in mind when we made our proposals. It therefore requires monitoring to see how it is being used and whether it is being used in a way which is particularly likely to cause harm.

Dan Waugh: I would agree. I am not a fan of the "When the fun stops, stop" campaign and I have written critical pieces about it. What we ought to be aiming for, so long as advertising is permitted for this industry, is for the advertising itself to be responsible. Instead, we have had the situation where concerns about the advertising have been addressed by simply slapping a health warning on the end and suddenly it is okay. We end up giving the consumer mixed messages. The first part of the advert tells the customer to have a bet on this, that and the other and then the second part says, "Oh, but when it stops being fun, stop", which in my view is likely to bamboozle the consumer. Rather than this obsession with health warnings, we ought to ensure that we have better controls—I think that the industry is moving in this direction—about the nature of the advertising that is produced so that it does not appeal to at-risk groups, it does not overemphasise the skill and it does not convey a sense of machismo in relation to sports betting. These are not difficult things and they have consistently come out in the research.

Lord Smith of Hindhead: We all know there has been a huge increase in the amount of gambling advertising and it would be a nonsense to suggest otherwise. A moment ago, you were speaking about mixed messages and the Lord Bishop mentioned the tag line "When the fun stops, stop", but the tag line of the largest gambling operator in the UK, Camelot, which I think last year had a turnover of £6.9 billion, is "Amazing starts here". On the one side you have "Amazing starts here", which is gambling on the National Lottery, and on the other side you have "When the fun stops, stop". Do you think that is right?

Dan Waugh: State monopolies always operate by different sets of rules from private industry.

Lord Smith of Hindhead: What about you, Sir Alan, do you think that is right?

Sir Alan Budd: The activities of the National Lottery should be guided by precisely the same principles as guide all forms of gambling.

Lord Smith of Hindhead: Are you concerned that its tag line is "Amazing starts here"?

Sir Alan Budd: I have a concern that this is a form of advertising that could lead to harm.

Lord Smith of Hindhead: Are you also concerned that the National Lottery online gambling feature uses many of the different apparatus that the gambling companies use in having games which probably appeal to those who have a gambling predilection and encourage them to gamble a bit more? Do you think they are crossing over that line?

Sir Alan Budd: I must admit I am completely unaware of the advertising methods being used by the National Lottery. I am simply not aware of them.

Lord Smith of Hindhead: Perhaps that is for another time.

The Chairman: I might be able to throw some light on this, Lord Smith, as a former chairman of Camelot.

Lord Smith of Hindhead: I did not say it was under your watch.

The Chairman: No, but every game that Camelot promotes is scrutinised and licensed by the regulator.

Lord Smith of Hindhead: I am sure that all lawful gambling in the UK is scrutinised under the law.

The Chairman: As far as I know, if Ladbrokes, for example, invents a new product, it has to comply with the guidelines and the statutory requirements, but I do not think it has to have it scrutinised and passed by the regulator before it is launched.

Lord Smith of Hindhead: I would respectfully suggest that you look at the National Lottery games online.

The Chairman: I am not here to defend Camelot but there is a regulatory point that we shall need to clear up.

Lord Smith of Hindhead: It is a point of interest of mixed messages which was raised by Mr Waugh. We have gambling "When the fun stops, stop" and we have gambling, "Amazing starts here", and "Amazing starts here" is available when you are 16 and "When the fun stops, stop" is available when you are 18.

Q42 **Baroness Wyld:** This is a specific question on ATMs. In your report you recommended that there ought to be a form of break between when somebody is gaming and when they can get to an ATM. With hindsight, there seems to be a degree of evidence suggesting that banning ATMs would have more of the sort of impact we would like. Would you have gone further and recommended that they were banned from casinos?

Sir Alan Budd: It is so hard to think back. As in many of these areas, it is a question of balancing the convenience for what I will call the recreational gambler. This is someone who I am willing to define as gambling without harm, having an amusing and perhaps foolish time, but that is not for me to judge or condemn. It is convenient for them to have an ATM so they can get more money out to continue playing rather than having to go outside or bring in a lot of notes to gamble. There is the argument for convenience for the recreational gambler. Against that is the risk for the potential problem gambler who is finding it too easy to get more cash to carry on and lose more than he or she can afford. We thought we had made a reasonable proposal about ATMs and their use and location.

This is a matter on which we made a proposal, but we could not be clear what the consequences could be, as with many of the other proposals we made. I am very open to be persuaded that there is evidence that the balance has been wrong and this has caused more harm than good. I am not aware of the evidence, but I can believe one way or the other that it might be shown that it is not harmful to have ATMs in casinos but some way away where people have to stop playing to go and get their cash out of the ATM and come back to continue gambling. This is a long way of saying I do not know the answer to this question, but it is not evident to me that it was particularly a mistake.

The Chairman: We will need an answer to that.

Sir Alan Budd: You do.

The Chairman: It is a question that needs answering and that can only be covered in a review.

Baroness Wyld: Perhaps Mr Waugh could give a view. If we made a recommendation that we should ban ATMs, would that have an impact on the people we want to help? In your personal opinion, if a person is addicted to gambling, is it going to make any difference if we remove ATMs from casinos?

Dan Waugh: The research would suggest that siting a machine in a way that requires a player to take a meaningful break is a useful thing to do. Bingo clubs are in the same category, so if you ban them from bingo clubs, you may have a 60 year-old lady who has run out of cash. She then has to go out, but she might be in a retail park. We have to consider that there could be some major disbenefits to this and people might say, "I normally only play with £50 but I'm going to take £100 out tonight so that I have extra". There are some very negative consequences that we ought to bear in mind. We have to trust adults to go into these places and behave themselves in a way that respects the fact that they are adults. If they want to get a bit more money for the night, that is not necessarily a harmful thing; we just need to be proportionate. The other thing I would say is if you brought in this rule there would be some entrepreneurial definition of where the casino was, and people would put them in the lobby.

Baroness Wyld: That is very helpful, thank you.

Lord Watts: Following on from the previous question, what we are talking about is irresponsible spending. It is not restricted to gambling. People spend irresponsibly on all sorts of things that we are not talking about today. For example, it was reported that Michael Owen, the footballer, said he spent £10,000 a week on gambling, but he said, "But I can well afford it and I enjoy it and why shouldn't I?" The question is about the credit side. Given that people gamble online with borrowed money, including credit cards, do you believe that credit cards should be permitted both on and offline?

Sir Alan Budd: Our proposal that the use of credit cards should be permitted was mainly explained by the fact that credit cards were widely used and a convenient means of payment. As far as we were concerned that was what was at issue. As you know, an increasing proportion of transactions are undertaken using a credit card rather than using cash. This was a modern, widely used means of payment, so we were prepared to propose that it should also be used for gambling, not directly into machines but for use, for example, in online gambling.

Of course, and you have mentioned this, credit cards are also a convenient if extremely expensive way of borrowing, which means that some people using credit cards are in effect borrowing in order to gamble, and one can certainly see how closely related that can be to problem gambling. Again, if I were this Committee, so to speak, I should be very interested in the evidence of the relationship between the use of credit cards and problem gambling. I would listen sympathetically to a suggestion that credit cards should not be used in gambling but that debit cards should, because that at least rules out the easily obtainable credit side of it all. I can see that on precautionary grounds there might be reasons for not accepting or later thinking it was wrong to propose the use of credit cards but to suggest that the use of debit cards would be acceptable.

Dan Waugh: I do not think enough attention has been paid to how credit cards are used online. Unfortunately, as with a lot of these things, we end up in a binary discussion about whether things should be permitted or banned when we should first be exploring under what circumstances it might be deemed to be a safe and acceptable thing to do. There perhaps are things that could be done around credit cards. Blocking has been brought in at long last. Where credit cards are used you could require them to be subject to a much higher level of customer due diligence, but I think it is right to be concerned about them as a form of payment.

Lord Watts: Would you agree that the lack of study of the use of cards is a major problem in the sense that we have talked about the gambling companies targeting gamblers, but the credit card companies would be targeting borrowers as well, and we know that not just from this but from other things. Without knowing what the credit card people are doing, it is very hard to see the whole picture, is it not?

Dan Waugh: Absolutely. I believe there will be some research on the use of credit cards and online gambling next year, but I do not know whether that is timely enough.

Q43 **Lord Trevethin and Oaksey:** Sir Alan, may I start by asking you about this? You reported in 2001, no doubt taking evidence and so forth in the period leading up to 2001. In broad terms, what was the state of you and your Committee's knowledge of online gambling as at 2000-01? Was it on your radar at all and, if so, in what form?

Sir Alan Budd: It was on our radar because we knew it was happening but, as I said earlier, at that date online gambling could not legally be provided by a UK-based company. It was not illegal for individuals to gamble online but it was illegal for a UK company to provide it. It is of course difficult to study, if you like, an illegal industry, so inevitably our data, which was scarce at any rate, was limited. We knew it was happening, but it was difficult to appreciate the scale of it.

This is also related to the question about our regulatory proposals for online gambling. We were mainly concerned with land-based gambling because that was what was going on and that was what we were expected to study, so online gambling was new to us and, as I have mentioned, the iPhone was not introduced until 2010, so no one had even thought about the possibility that someone might be holding something in his or her hand and be allowed to gamble freely. It was new to us and therefore, of course, its development should be watched very closely, particularly our proposal that it should be made legal.

Lord Trevethin and Oaksey: The current situation, which you have alluded to by reference to the iPhone, is that people, including young people, can gamble on their mobile telephones, they can enter virtual casinos on their mobile telephones, they can gamble on any number of aspects relating to a football game as it is taking place on the television screen in front of them, et cetera. It follows from what you have just said that you and your committee did not have in mind—it would have been remarkable if you had—any of that when you made your recommendations in 2001.

Sir Alan Budd: That is true. There continues to be a very interesting debate about the differences between the regulation of land-based gambling and the regulation of online gambling, with online gambling relatively free from regulation compared with land-based gambling.

Lord Trevethin and Oaksey: Could you help us on that?

Sir Alan Budd: This is all looking back; it is not what we were talking about at the time. In general, we thought that the gambling regulations should be unified. I remember when I first started looking at the gambling industry wondering why there were so many different Acts of Parliament relating to gambling and so many different methods and systems of regulation. My strong belief and the committee's belief was that there should be much more consistency and uniformity between forms of regulation, so here is what appears to be a discrepancy. Here is a form of gambling that is regulated rather differently and certainly not as tightly.

There are two justifications for this difference. The first is that in principle, online gambling can provide the providers of that form of gambling with extremely rich information about individual gambling behaviour, something that is not available in a land-based casino. They know how much they gamble and what they gamble on. It is full information and therefore provides the opportunity, if it is taken, of monitoring gambling activity and detecting problem gambling and taking steps to do something about it. That is one reason that there is information about online gambling which cannot be available for land-based gambling. That is point number one.

Point number two, which I think someone referred to earlier, is that in 2001, although online gambling could not be provided legally by UK-based companies, people knew where to find online provision of gambling. This is a very mobile industry and there is always a risk that if the regulation of online gambling becomes too obstructive people will switch, if they are determined to gamble, to other regulatory regimes which are free of UK regulation. Both those points can justify some difference between the regulation of land-based gambling and that of online gambling.

Lord Trevethin and Oaksey: On the second point—and Mr Waugh may be able to help us on this—there may be, I would guess, technological ways now of preventing offshore gambling providers from circumventing the rules that you may think should be introduced in relation to online gambling. Can either of you help with that?

Sir Alan Budd: My mind immediately turns to other nations and countries where there is the widespread use of blocking sources of online information and I would not like to live in any of them, but whether the British could find a better way of doing this, I do not know.

Baroness Meyer: You cannot access the National Lottery when you are abroad. You cannot buy a ticket for the English National Lottery if you are in France, for example.

Dan Waugh: There are various things such as ISP blocking and forcing the banks to take responsibility for not processing certain transactions. If you are really determined, you can get around any of these things and I suppose the point is whether you are creating hurdles which force out enough of the issue. The Gambling Commission has been reasonably effective in writing to unlicensed operators saying, "Please desist from marketing which targets British consumers". That seems to be reasonably effective.

At the time of the report, the commission's best guess was that the revenue for online gambling was £100 million. Now it is £5.5 billion. The prevalence survey in 1999 recorded online gambling participation as a rounding error, substantially lower than 1% whereas in 2016 it was 9% - excluding the National Lottery online, to put in context of how little was known about it at the time of the report.

The Chairman: On behalf of the Committee, I thank you both for giving up your time and helping us with the inquiry. If there are any recommendations from the original report that were not adopted that you feel strongly should have been and would be relevant today, it would be helpful to hear from you about which are still relevant and should be adopted. On behalf of the Committee, I thank you both very much indeed.