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 5 November 2019

3.05 pm

Watch the meeting

Members present: Lord Grade of Yarmouth (The Chair); Baroness Armstrong of Hill Top; Lord Butler of Brockwell; Lord Filkin; Lord Foster of Bath; Lord Layard; Lord Lipsey; Lord Mancroft; Lord Parkinson of Whitley Bay; Lord Smith of Hindhead; Baroness Thornhill; Lord Trevethin and Oaksey; Lord Watts.

Evidence Session No. 9 Heard in Public Questions 88 - 98

Witnesses

I: Simon Thomas, Chief Executive and Chairman, Hippodrome Casino London; John O'Reilly, Chief Executive, Rank Group plc.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Simon Thomas and John O’Reilly.

Q88 **The Chair:** A warm welcome to Mr O’Reilly and Mr Thomas. Thank you for giving up your time today to help us with our inquiry. A formal notice before we begin: 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, broadcast live and 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 possible thereafter.

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 very welcome to submit supplementary evidence to us. We will, however, be able to consider it only once the Committee has been reappointed in the new Parliament. That is a procedural point; it may not be much before the end of January. Would you be kind enough to introduce yourselves for the record?

John O'Reilly: I am the chief executive of Rank Group; I have been there for 18 months. I have spent most of my adult career in the gambling industry. I spent 19 years at Ladbrokes, 16 years on the company board and five years on the public company board. I spent five years with Gala Coral, where I was managing director of Coral Interactive and relaunched it in the online space. I have done a number of non-executive things; I sat on the board of William Hill and have chaired a software development company that focused on providing software to the gambling industry. I have had a long career in gambling.

Simon Thomas: I am chief executive and majority shareholder of the Hippodrome Casino, not a million miles away from here. Over the course of my career in the gambling industry, I have had bingo halls and arcades. I have been president of BACTA, on the top committee of the Bingo Association, and chairman of the casino association. I was also a trustee of GamCare for 12 years.

Q89 **The Chair:** Thank you very much. We will take it in turns to dish the questions out. You do not both need to feel obliged to answer every question. If you feel it is appropriate for you, please jump in.

My question is about the Hippodrome’s evidence, which you kindly provided for the Committee. You state that the modernisation of the gambling laws is overdue. That is a huge statement, and there is some suggestion in your evidence to that effect, but it would be helpful for the Committee to hear what reforms you would like to see and how you think you might ensure that these proposed reforms would not lead to increased gambling-related harm. Could you help us with that?

Simon Thomas: Thank you for inviting us to appear. I am very conscious that a lot of the evidence that you have heard to date about gambling has been quite negative. Gambling is a consumer activity with costs and benefits, and it is a pleasure to be able to explain some of the benefits of it to you to help to give the full picture.

Millions of people enjoy gambling in casinos. They are purpose-built for gambling. They have the correct levels of player protection and control; if you go to the Hippodrome, it says "Casino" above the door in big letters. It is not a surprise. You go in through manned door control and are checked to see whether you are sober and old enough. We have no issues with underage gambling. You then gamble across tables with trained and licensed employees, and even on the electronic side like the slot machines, there are people monitoring them at all times.

The Chair: Monitoring them for what, if I may interrupt?

Simon Thomas: It is about keeping an eye on player behaviour. Every one of our slot machines is linked to an electronic system. The operatives have an iPad and can see the level of activity on any machine. If anybody has been on a machine for excessive amounts of time, they will have an intervention. If people have spent above a certain level, they will have an intervention. It might just be a friendly chat, perhaps with somebody they know, perhaps with somebody they do not know. They are trained to assess—

The Chair: Sorry to keep interrupting you—

Simon Thomas: That is quite all right. It is just like being at home.

The Chair: You mention their spending a certain level, a kind of arbitrary figure that applies across the board. It is not related to what you know about the customer and what they can afford?

Simon Thomas: Not at all. There are some mandatory levels; if somebody were to spend £1,500 on buy-in or win or lose that amount, we would need full photo ID under the anti-money laundering regulations. If somebody is approaching that, we will have interventions beforehand, just to let them know that they are approaching the limit. If somebody has been on the machine for a certain amount of time—an hour or two—we will be checking on them. Things like that.

The Chair: What are you actually looking for? I understand the point about money laundering.

Simon Thomas: To check that the person is happy, bluntly. Human nature is very good at identifying whether somebody is happy or unhappy. If they go across and the person is agitated—hitting the machine, for example—to us that would be a clear sign that the person is not happy. Then they would escalate the intervention. It does not happen very often. Most of the time, it is just reassuring.

The Chair: Okay. Sorry to interrupt your flow.

Simon Thomas: In terms of the three areas that we would like to see reformed, one is an appropriate number of gaming machines in a casino. Currently, British legislation restricts nearly all casinos to just 20 slot machines. To put that in perspective, most international casinos have hundreds or thousands of these gaming machines. They are very popular with customers.

The restriction in the UK is viewed as an anachronism; there is no real logic to it. It makes no difference whether you are a large casino or a small one[1] the same allocation applies. I am one of the largest, with 38,000 customers a week. At peak times, I have 1,600 customers in the building at one time, and I have 20 gaming machines. A small casino in a provincial town might have 30 customers, and it is still allowed 20 gaming machines. It makes no sense. Less than 2% of gaming machines in the UK are actually in casinos. Many countries allow gaming machines only in casinos, because they are designed for that sort of activity. The UK is completely the other way around.

We have been talking to DCMS about it for the past few years, and we are pretty well advanced on a road map to get it increased to 80. It is about the art of political possibility. That number that we would like to attain is still small, but it would be better. It would allow us to meet customer demand better and would lead to more Hippodrome-style casinos. I know that a couple of people at the table [members of the committee] have been there and understand what I mean, but by that I mean a casino that is more on the international side and not just about gambling.

We have 77,000 square feet, seven bars and arguably the best steakhouse in London. We have one of the top shows in London, called "Magic Mike"; it might not appeal to the majority of people around the table, but it is the sixth-highest pre-sold show in London history, so it is a phenomenal production. We have smoking terraces and lounges. We have thousands of people who do not gamble but just like the venue. From a responsible-gambling point of view, there are lots of opportunities for people to take a break from gambling, so there are lots of positives. To amplify that, our net promoter score is 84%, based on people who would positively recommend us. That is world-class by any measure.

The second measure is to be allowed electronic versions of table games. An historical restriction limits us to a physical roulette wheel and physical playing cards when you can have a perfectly acceptable random number generator. Again, there is no logic to it, but the restriction means that – effectively with the exception of roulette - we cannot offer our customers electronic gaming. That reduces their choice and pushes the price of play up, because it is more expensive to have a human operating a game than to have an electronic random-number generator.

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[1] Note by witness: The terms "large casino" and "small casino" are used here to describe the size of premises (and in reference to 'grandfathered' casino licences granted under the 1968 Act) and do not refer to the 'Large' and 'Small' categories of casino licence created by the 2005 Act.

The third measure will also seem strange. We are not allowed to offer sports betting in casinos, whereas this is common in many international jurisdictions. It is a normal part of the casino experience and would be very popular with customers.

From the harm protection perspective, clearly that is something that we have given a lot of thought to. In responsible gambling terms, moving from 20 to 80 gaming machines should make no difference. A player can play only one machine. The caveat is supervision; our supervision is already very good. We have mandatory entry control and an awful lot of trained employees. I have 320 gaming staff in my building, out of the 775 people I employ, who are licensed by the Gambling Commission and trained appropriately.

On top of that, we have technological supervision through a company called Focal, which has monitoring software that detects patterns of play that may indicate problematic behaviour. The best that you can get out of an algorithm is an indication of a potentially interesting person to have an intervention with: that is, they are not a problem gambler, but something has triggered the algorithm to say, "Go and have a conversation", so we would do that.

Equally, some restriction effects would be reduced by having more slot machines. We have players who are reluctant to leave their gaming machine because there is a queue of people to play them. That can lead to people playing for longer than intended and, because we have a limited number of gaming machines, the minimum price to pay is elevated. If we had more machines, we would reduce it. Those are two natural restrictions that could be overcome.

In the last review, DCMS acknowledged that the number of gaming machines in UK casinos is low. It said that if we made progress on measures such as limit-setting, it would reconsider the position. I am pleased to say that we are making very good progress. For example, a system is being rolled out where a player can go to a machine and put on the screen that they want to play for an hour maximum or a spend of £50 maximum, and the machine will then alert both the customer and a member of staff when they hit that level.

On the electronic random-number generator question, it makes no difference to a player or regulator if the random-number generator is a physical wheel or an electronic one. There should be no regulatory concern so long as appropriate technical standards are applied, such as speed of play; it just leads to more choice for the consumer.

On sports betting, again, casinos are already set up and ready for that. It is a strange quirk in the legislation that we are not allowed to do it.

Lord Butler of Brockwell: Will not the electronic version, where you do not have a person operating it, operate much more quickly?

Simon Thomas: Theoretically, yes, but with the way the Gambling Commission works, there would be regulations on it. For example, we have an unmanned automatic wheel that fires the ball out automatically. That can work with electronics as a sort of hybrid, but we are limited to 50 games an hour for that wheel, which is commensurate with normal hand-spun wheels.

Finally, a helpful point on all that is that, in the Gambling Act 2005, the Government allowed a small number of trial casinos, which were allowed larger numbers of slot machines and sports betting. Some of them have now been operating for eight years, some with 80 gaming machines and some with 150, and no adverse reactions or concerns have been raised about them. So we are reasonably confident.

I said that a caveat to that was supervision. Clearly, it is important to us as operators and to the regulators that our set levels of supervision are not diluted. I assure you that we will ensure that that does not happen.

The Chair: Mr O’Reilly, do you want to add anything to that? Do you disagree with anything?

John O'Reilly: No, I agree with it all. I want to add two points, if I may. First, I should have said in my introduction that we at Rank Group operate Mecca Bingo in the UK and we operate Grosvenor. Mecca is the number two bingo player in the UK, by premises. Grosvenor is the number one casino operator.

As the number one casino operator, I agree with everything that Simon said. I have spent most of my life as a gambling consumer. I have been in the Hippodrome probably 50 times and I have yet to play the slot machines. Why? Because you cannot get on one; the demand exceeds the supply. That does not make much sense to me.

Having said that, I understand entirely why there is what appears to be anachronistic regulation, and it is. Public sentiment towards gambling in the UK right now makes it very difficult to change regulation in an area where a change in regulation may seem to encourage more gambling. That is the context in which I would put this issue.

Q90 **Lord Foster of Bath:** With regard to that attitude towards gambling, do you think that attitudes might change somewhat if we move from a voluntary levy to a compulsory one?

John O'Reilly: I do not think that whether it is mandatory or voluntary matters enormously. The challenge is in the funding of research, education and treatment in the UK right now. Those areas are a mess and need to be straightened out. Here is my proposition: society needs an expert, independent research, education and treatment commissioning agency.

In that context, I do not agree with the Gambling Commission consulting on bodies which operators like Rank Group can fund through voluntary donations. We need a clear, expert body, like the Levy Board in horseracing, which acts as an independent body between the horse industry on the one hand and bookmakers on the other. Over the years, it has done a great job of ensuring that money goes to the right ends in racing. We need exactly the same thing with regard to research, education and treatment.

The Chair: Who pays for the horserace betting levy?

John O'Reilly: Bookmakers. It is statutory; it is collected from bookmakers. It is paid to the Horserace Betting Levy Board, which determines where that money is spent. That is what we need in gambling, frankly. Whether the levy is statutory or voluntary makes no difference to me as an operator.

One of our other challenges right now is that we need to meet supply and demand for research, education and treatment, but we do not know what it is. We do not know what the right level of funding is. So many numbers get bandied about. The highest that I have heard is £300 million, but I know that there is a proposal out there for a national treatment service, which would be in the low tens of millions. We do not know what that number is, which does not seem sensible to me. We should know what the number is, and clearly the industry should pay.

To add another point from my perspective, last year Rank Group paid £193 million in tax and made £29 million of profit after tax, which was distributable to shareholders and/or reinvested into the business. So I think there is an element of the state also having responsibility in that regard.[2]

Q91 **Lord Watts:** Both GambleAware and the Gambling Commission believe that to reduce harm and prevent problem gambling, this matter should be part of a public health approach. Hippodrome seems to be looking for individual actions and responsibility. What is your position on this being dealt with as a public health issue? Do you use that principle in your businesses?

Simon Thomas: The simple answer is that it depends on what is meant by "a public health approach". I have asked a number of people and had a number of different answers. We would welcome clarification on that from the Gambling Commission. To be honest, the question seems largely irrelevant to how we operate. We already have legal, ethical and regulatory responsibilities under the Gambling Act. One of the three tenets is to protect the vulnerable. That applies to us, to the regulator and to the Government, and we take it seriously.

Gamblers, however, have to accept a degree of responsibility for their actions. The autonomy of the consumer alongside appropriate regulation are critical components of harm prevention. It is well supported in research literature that the effectiveness of any action is dependent

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[2] See supplementary written evidence GAM0102

largely on the person being totally motivated and committed. The gambler has to take a degree of responsibility.

Lord Watts: Are you suggesting that casinos have no problem gamblers who use their establishments?

Simon Thomas: Not at all. Every gambling environment will have problem gamblers—people gambling too much. The definition of a problem gambler covers quite a spectrum. The vast majority of people using casinos are totally happy; they are spending money that they can afford to spend and enjoying what they do. At the other end, people are spending money or time they cannot afford, and it is causing them harm.

We have a range of responsibilities and actions to try to help people, but they have to be involved themselves; we cannot take a total duty of care over anybody. It has to work both ways. Regulations have to help settle our structure, and the gambler has to have responsibility themselves.

Lord Watts: It is the same in all gambling industries, is it not? There are people who cannot help themselves or do not appear to be able to help themselves. It is about how you deal with that group of people. We understand that most people can go to a casino or go to the bookies and their gambling is done responsibly, but what is your view about those groups of people who obviously cannot accept that individual responsibility and need to be helped differently? That is why a public health approach has been suggested: a number of issues need to be addressed at the same time.

Simon Thomas: That is not at population level; it is a smaller group of people, and those people we help. To be honest, a problem gambler is of no sustainable commercial value to any of us either[3]. Besides, there is the ethical side: I want to sleep well at night; I do not want to cause people problems. I am a family man, I enjoy my job, I enjoy my business. A problem gambler generally will have no money[4], because they have already spent it, and they may annoy other people by trying to borrow money off them. They are actually very bad for business. We go out of our way to address it much earlier on to stop people developing a gambling disorder.

The Chair: How do you identify them? Or should you?

Simon Thomas: We try. It is not an easy task. Nobody anywhere in the world does it perfectly. It is impossible to do this comprehensively. But you can have a range of measures. Let us look at all the responsible gambling tools and think of each one as a thread. Not a single one will stop a problem, but if we have enough threads and we co-ordinate them in enough ways, we can make a net that will be effective in catching a greater proportion of problems.

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[3] See supplementary written evidence GAM0102
[4] See supplementary written evidence GAM0102

The odd one will slip through. If we make the net too tight, it is impossible to operate. If we make it too open, too many people fall through. That is why we have so many staff, the levels of training that we have and the supervision. If you come to the Hippodrome, you go through manned doors. You are checked on the basics of age and sobriety—two risk areas. When you are gambling over a gaming table, you are gaming against a human being, so six people gambling and one dealer. There is an inspector between two tables, biometrics and cameras.

The Chair: Are you a strictly cash business?

Simon Thomas: Yes.

The Chair: So I could not go in with a debit card and draw some cash?

Simon Thomas: You can draw out cash from the ATMs.

The Chair: Oh, you have ATMs? And what is the limit on them?

Simon Thomas: It is a personal limit—whatever limit is set by your bank. Customers can take out only up to their cash limit.

The Chair: Sorry to interrupt your flow, Lord Watts. If you go to a cash machine, it will impose a limit, telling you that you have £200 or £250—the maximum that I have ever seen is £400 to withdraw from an ATM. Assuming that I have the money in my bank, how much could I withdraw?

Simon Thomas: To the cash limit of your card.

Q92 **Lord Layard:** I want to come back to the relationship between research and the industry. Obviously, if the relationship is too close, there is a danger of that distorting the pattern of what is investigated and what is concluded. Can one of you explain how the system works at the moment and then come on to how you could get more independence?

John O'Reilly: We are often lambasted for research as operators. That is unfortunate and unhelpful—understandable but unhelpful. Rank Group always submits data to research when requested through the Gambling Commission. That has happened since the start of the Gambling Commission in the UK. Whenever it has asked us for data, we have happily supplied it.

Customer data is at the core of gambling research and research into problem gambling. Research is done on all aspects of gambling, but a lot of it centres inevitably around problem gambling. We are very happy to provide data. The Gambling Commission has proposed an independent centre of excellence for research. That is a good idea and we would be very happy to contribute customer data to it.

We should be involved in research as operators, because we are closest to the customer, we are closest to the customer’s behaviour, we are closest to their data. Our involvement as operators in research should not lead to negative connotations whereby we are trying to find results that somehow suit our commercial perspective. We are all in this together. Simon made the point that problem gambling is a negative for the industry. We need to do everything we can.

There will always be problem gambling. Our job is to knit the safety net and make those holes tighter so that fewer customers fall through. However, customers will always fall through. That is just human behaviour. Our job is to make it as safe as we can, because it is in our commercial interest, too.

Our involvement in research is a must. I think it is recognised by the Gambling Commission. We need to make more progress in that regard over time.

Lord Layard: You seemed to be saying earlier that there is also the funding issue, who decides what topics are researched and all of that. Were you suggesting that that would be done more independently than it is at the moment?

John O'Reilly: There are two things in that regard. First, having an independent commissioning agency for research, education and treatment is in our interest. That is the right thing. We need a body of expertise commissioning research. The Gambling Commission’s proposal for an independent centre would be helpful in that regard, too. As operators, we think about research as research to which we contribute. Actually, we are doing research all the time, because we have to. To comply with the requirements of the Gambling Act, licence conditions and codes of practice, we are constantly improving our ability to understand who a problem gambler is and who is potentially at risk of money laundering. We are constantly honing our own models.

In our business, for example, we operate an affordability model that uses ONS data for the most part, but also consumer data to assess how much someone can realistically afford to spend on gambling. We have a complicated model, with 128 data points, for determining in our online business which players may be at risk of problem gambling. We act according to the outputs of that model. That model is run in as close to real time as we can, using data from customer behaviour. We are constantly honing our own models internally, and that is effective research.

Lord Layard: Simon Thomas, do you agree with this proposal for an independent arrangement?

Simon Thomas: I certainly do. To put a slightly different spin on it, one of our concerns in the gambling industry is that quite a few of the researchers involved appear to have an ideology that is not neutral. Independence from influence from the gambling industry should apply equally to predisposed influence from people doing the research.

Neither should affect the outcome. I do not think that where it is funded makes any difference. There was a very interesting study by Shaffer[5], I think this year or last, which concluded that the funding source does not appear to influence the outcome. To be honest, I was slightly surprised by that, but they are the experts. But we are experts in our field; we know our customers. We have to be able to help the research to understand the context in which it is operating. We are doing research on our customers, because we need to understand them better.

Lord Layard: Could I just follow up on the independence issue in relation to treatment? These problem gamblers are spread over every community in the country. To get proper treatment, does it not have to be inside the NHS, which is where people naturally get their contact with psychological therapy services? Would you ever be able to set up enough treatment, through some independent pot, to deal with all the people who are loath to go but are more likely to if they go to their GP for something else and their GP realises that something is amiss? Should this not be in the NHS, not in a separate treatment agency?

John O'Reilly: I do not think so. I have spent quite a lot of time looking at treatment provision in the UK and am very impressed by the treatment provided. Unfortunately, it is not nationwide and there is not enough of it to date. We need an expert national treatment provision service for problem gamblers, people who are at risk and families of people who have problems with gambling. This is a service we should be providing.

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

John O'Reilly: Operators would inevitably fund it, but not provide the service. GamCare does an amazingly good job in this space. The phone line service is incredibly good, and it is expert. These people are dealing with problem gamblers day in, day out—not dealing with people with other ailments and then coming across a problem gambler.

At the peak, at the top end, there will always be people who have mental problems that mean they need NHS support. There is a point at which the consumer needs National Health Service support, but that is the extreme end. The average problem gambler needs access to good counselling expertise from people who are used to dealing with people with gambling problems.

Simon Thomas: I would like to add to that, having been a trustee of GamCare for 12 years. There is a national system for looking after people who specifically present as problem gamblers. There is a lot of co-morbidity. Many people go into the NHS system and have a range of problems, of which gambling is one. Some people go to GambleAware, some self-heal, some talk to their friends.

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[5] Note by witness: Shaffer, P., Ladouceur, R., Williams, P., Whiley, R., Blaszczynski, A., Shaffer, H. (2019) Gambling Research and Funding Biases. *Journal of Gambling Studies*.

If you were to call the national problem gambling helpline now, you would be referred to a partner agency. There are two dedicated clinics but a range of partner agencies all over the country. You would be able to see somebody face to face. The majority of gamblers do not choose to do that, for whatever reason. We in the industry should get better at trying to signpost people, because recovery from problem gambling is one thing, but remaining away from problem gambling if you are predisposed is much more a long-term issue that we should address. There is a plan for a much more dedicated system.

Q93 **Baroness Thornhill:** We have strayed into the role of GambleAware, and we have certainly had some concerns about that. Could you briefly describe your relationship with it and perhaps give your views on its role?

John O'Reilly: Okay.

Baroness Thornhill: Sorry, that looks like a painful question.

John O'Reilly: Not at all. At Rank Group, we support GambleAware in the sense that our voluntary donations—as they are to date; it matters not to me whether they are voluntary or mandatory—for RET, as direct funding to third parties, in the most part go to GambleAware. That is where our money goes.

We directly fund other things, including GamCare and other bodies, but the required percentage that we publish in the annual assurance statement for the Gambling Commission goes to GambleAware. Why? Because we need an independent expert commissioning agency. My view is that that should be GambleAware’s role. I am not sure that it has quite recognised that as being its role, but I think that is what we need.

The Chair: How do you satisfy yourself, and indirectly your shareholders, that you are getting good value for the money you put into GamCare and the right results?

John O'Reilly: I have absolutely no doubt that what GamCare does is first-rate. I get a lot of exposure to the work of GamCare. Lived experience, and bringing it into organisations like ours, is incredibly important for people to understand problem gambling better. GamCare helps us in that regard.

As for GambleAware, I do not think that I as an operator am the right person to decide where money for research, education and treatment should go. That is not my job. I should be contributing money, but I do not think I am the right person to decide where that money should go. For that we need an expert body. Today, that is GambleAware.

The Chair: But you are entitled to take a view of whether that money is well spent, are you not? Even if you do not make the decisions about where you spend it, that money is going in and you are expecting some outcomes from that.

John O'Reilly: Yes. Do I need to say any more?

Simon Thomas: The challenge is that we are working to a tripartite arrangement at the moment. There is the Gambling Commission, whatever the new RGSB is—I have not learned the name yet—and GambleAware. That is the triumvirate that we are supposed to work with. If GambleAware had stuck to its charitable objectives of raising money, commissioning and evaluating, the relationship would be very healthy, but it has strayed into political lobbying and has become quite active. It has made us and the Gambling Commission uncomfortable.

The Chair: What is it lobbying for?

Simon Thomas: Bluntly, it has become quite anti-gambling. That is not its role. It has sensationalised—

Lord Butler of Brockwell: But is that not the trouble with a voluntary contribution? If the commissioning body knows that you will take a view on whether the money is well spent, it will be influenced by directing research where it thinks you will approve of it. Would you not be protected it if were a compulsory levy? Then there would be no question of that.

John O'Reilly: It matters not. From my perspective, if demand and supply mean that I should be paying X% of gross gaming yield or whatever the metric is, as an operator we are obliged to pay that, and of course we would. As a public company, we could not not pay it. So it does not matter too much whether it is mandatory.

My challenge is that we are not the best people to determine where the money goes. I agree with a lot of what the Gambling Commission does, but it consulting on bodies that we can fund directly does not seem to make any sense to me. We need an independent body that decides how this money is best spent. That way, we ensure that money is spent appropriately. One of the challenges that today's mess leaves is that bodies such as GamCare do not have long-term visibility of funding, which is in nobody's interest.

The Chair: Lord Foster, I apologise. I should have called you earlier.

Lord Foster of Bath: I just want to pick up one particular point that you raised. Quite rightly, in the view of many of us, you accept that you should not be deciding where research, education and treatment money goes. However, you also said that, over and above the levy, you make contributions.

John O'Reilly: We do.

Lord Foster of Bath: So, first, how much money do you give in voluntary contributions to other organisations as distinct from the contribution you make to the levy, and how do you make a decision about how it will be used, given that you said that you should not do it?

John O'Reilly: I am sure there is no logic to what we do today. We pay the voluntary sum that we are required to, which goes to GambleAware, and over and above that it is largely the result of relationships with third parties like GamCare, Gordon Moody and so on, which come to us and say, "Are you interested in funding the following?" That is our approach today. There is no logic to that.

Lord Foster of Bath: I am glad you have explained that there is no logic, because it did not seem logical to me. But on the question about the level of contribution that you make, which you have not answered, you make that information available to the Gambling Commission. Are you somewhat surprised that the Gambling Commission does not publish the figure that you give?

John O'Reilly: I am surprised, actually. I thought it was published.

Lord Foster of Bath: Do you think it should be?

John O'Reilly: I do not have any objection at all to it being published[6].

Simon Thomas: Could I give a slightly alternative view to that, very quickly? We do risk analysis, checking the data and seeing what is going on in our local area. We have a lot of Chinese customers. The supply of problem gambling help for Chinese customers is weak, so we support the local Chinese National Healthy Living Centre with a voluntary donation above our 0.1% to GambleAware. That is very clearly directed at a local issue, so there are measures that GambleAware is not funding but which we will supplement.[7]

John O'Reilly: I saw in the press cuttings last week that Rank's contribution in the first half of this year was published, so it is in the public domain, although it was not published by me. It identified us as the fourth largest contributor to GambleAware[8].

Q94 **Baroness Armstrong of Hill Top:** Do you undertake affordability checks, and will different amounts be spent in different parts of your business? Do you concentrate your affordability checks on specific areas, and what do you find from them?

John O'Reilly: We do. This is fairly recent. In the last few months, we have built an affordability model, which is based on ONS data, as I mentioned earlier, and which focuses on the customer's loss. The trigger point is a customer's loss over a rolling four-week period, so any customer who loses £1,000 over a four-week period triggers an affordability assessment.

Baroness Armstrong of Hill Top: Is that mainly in your online business?

John O'Reilly: It is online. We are looking at ways of applying it to our casino business, too. It is more difficult there because, while you have

[6] See supplementary written evidence GAM0102
[7] See supplementary written evidence GAM0102
[8] See supplementary written evidence GAM0102

first-hand supervision so you can better assess customer behaviour, you do not collect all the data in the way you do in a digital business. That is the significant distinction.

We capture a lot of play in a casino at customer level, but we do not catch all play, because in a casino you can still play with cash. One of the crazy things about the world in which we live is that I cannot, for example, play on a machine using a card. If a player could play on a machine using a debit card, I could check their behaviour, but because it is a cash game and allowed only to be a cash game, we cannot capture behaviour in the same way.

So it is a little bit different. In digital we capture everything, while in the bricks world we do not. But we run the affordability model, and that determines a journey that we then put the customer through. That might involve a questionnaire to get more information from the customer, or a first-hand interaction with the customer by one of our safer gambling team, or an outright closure of account or limits being applied to an account regarding how much a customer can deposit going forwards.

Lord Filkin: This is a supplementary question about the affordability question or customers' behaviour. Forgive my ignorance, but are people aware when they are on a particular machine of the likely payout rate for that machine in that venue?

Simon Thomas: Theoretically yes, practically no. The machine will have on it the average RTP percentage, so it will tell the customer that, on average, it will pay out 94% of the amount staked per spin. However, that is over a very long cycle. The customer will not know other than whether they had a good experience on that machine.

If the customer plays the machine and it takes their money quickly and they do not have a good experience, they will walk away and not come back. If they enjoy playing the machine, they will continue to come back. It is very hard. In the industry we have tried to educate customers as to what the return to player really means, and it is almost impossible. It is about value for money: do they get it or not?

Lord Filkin: I can see that people are paying for a total experience, particularly in your physical venues. A related question is: what is the gross gambling yield for the particular casino enterprises that you manage? Can you give us a picture of the ratio between the money bet and the money paid out, recognising that obviously you are much more high-cost than an online operator?

Simon Thomas: There is a fairly standard figure in casinos. We have a hold of around 16% of the money that is exchanged for chips each day. So if somebody comes in with £100, on average they will walk out with £84. Averages are totally misleading; the average person has one breast and one testicle. It just does not work in many ways. But the average works out at 84%. It is a challenge, though.

Lord Filkin: Why is that hard to understand? Clearly, you have to run over a long enough period of time, but if there is genuinely an £84 payout for a £100 bet—

John O'Reilly: There is not, and that is the challenge. Every game has a theoretical margin which the player plays. We do our best to explain to the customer what the margin is—the house hold in each game—but we are not doing it well enough. We try, but we do not do that nearly well enough. So the customer may not properly understand[9]. The metric that some use to explain it is somewhat different and is about money exchanged for chips and chips exchanged for money. The whole industry uses that, because we have no other metric to use.

Lord Filkin: Is it not a pretty fundamental piece of information, whether they take any notice of it or not, at least to know what your chances are when you play?

John O'Reilly: The consumer needs to understand that for every £100 bet on roulette, on average 97.3% is returned to the player, because there is a 2.7% margin in roulette. That is the metric that the customer needs to understand.

Lord Filkin: Is that true? I do not see how you can fund your operation.

Simon Thomas: That is absolutely true, because people keep playing.

John O'Reilly: Perfect strategy blackjack is 2.3%[10]. It depends on the game. An average slot machine is 94%.

Lord Filkin: Would you get similar margins for online betting?

John O'Reilly: Again, it depends on the product. In roulette it is the same; there are 36 numbers plus a zero on a roulette wheel, and that is it—the zero is the house's edge. I think the consumer kind of understands it; they know where value lies. But of course, if I put my money on number three and it does not come up, I have lost 100% of my money.

The metric we use about the percentage of the drop that we hold—our hold, if you like—is problematic, because the margin between a customer who exchanges cash the chips, cashes back in, cashes out, cashes in and cashes out, is much lower, just by pure maths, than for a customer who plays all night and then cashes in his few chips at the end of the evening. So the margin depends on the player's behaviour.

However, the margin on the game is the margin. As to whether we are good enough at telling the customer in effect in real time what the margin of the game is, I do not think we are. We need to do a lot more work.

[9] See supplementary written evidence GAM0102
[10] Note by witness: Correction - The standard house edge on blackjack, if played to perfect strategy, is theoretically as low as 0.5%. For the average player it is c. 2.0%.

Simon Thomas: All the margins are published and on display in the casino; there is no secret about them. If we are too mean on a game, the customer will not come back, and if we are too generous, we do not have a business, so being in the middle and trying to give people good value for money and entertainment that they enjoy is an art form. To get down to the mathematics is almost impossible.

Lord Filkin: But by implication the margins are naturally set by you rather than by some dreadful regulator. You set the margins according to what you think will attract the market to play.

Simon Thomas: Roulette is one in 37. You could go to a double-zero roulette or a triple-zero roulette, but we use a single-zero roulette, which is one in 37. Those are fixed odds. For blackjack, we have a house edge of around 1%. It is similar for baccarat. There is a very low house edge, so we rely on people keeping playing to make money.

Baroness Armstrong of Hill Top: What level of affordability triggers an intervention?

John O'Reilly: That depends on the customer. It is a risk-based approach. A £1,000 loss over four weeks triggers an affordability check on the customer. Then it depends on their player behaviour. They might have lost £1,000 in four weeks, but in the previous four weeks they might have won £2,000. It also depends on where they live, their postcode and their deprivation index. All those things determine what we do as a consequence.

Lord Butler of Brockwell: To follow up on that point, before I ask my question, what forms do affordability checks take? You look at where they live, but do you have reliable data about affordability, or is it just a deduction you make from their address or job?

John O'Reilly: It is a deduction that we make. It is not a perfect science by any stretch of the imagination, but we make it based on the open-source data we have access to.

Lord Butler of Brockwell: If you were doing an affordability check on me, would I know that it was being done?

John O'Reilly: No.

Lord Butler of Brockwell: And if I failed, what would you do then?

John O'Reilly: You would know from our interaction with you—for example, if we send you a questionnaire or contact you before we let you play again, if we suspend your account until we know more about you and the source of your funds or, in extreme cases, if we close your account. Those would be the circumstances in which you would know. If you did not know, it would be because our assessment was that you can afford to play at those levels and we would continue to let you play until you hit another trigger point.

Simon Thomas: In the land-based casinos, you would definitely know. We have a limit of £1,500 where we have customer due diligence—following "know your customer"—and levels above that which become quite intrusive. We ask customers for bank statements, contracts of employment and all sorts of personal information.

At the high end, there was a ridiculous case where someone was asked for his gas bill when he owned the company. It can be a little excessive at the other end. We also use online verification, but it is quite intrusive, so people do know.

John O'Reilly: It is intrusive, but I think the consumer is now accepting the extent of that. It was much more difficult in the early stages than now. People are getting used to the fact that we need to know their source of funds before we can allow them to play.

Q95 **Lord Butler of Brockwell:** I have read through your very good written evidence, but I did not see this covered—forgive me if I missed it: do you offer your customers loyalty incentives? We know that in some parts of the gambling industry there are VIP treatments and perhaps even incentives in the form of invitations to football matches or race meetings. Do you offer anything like that in your operations?

Simon Thomas: Yes, we do. We have a loyalty rewards scheme, which is mandatory to join when you hit the anti-money laundering threshold of £1,500. It is voluntary for anybody else. Customers earn points for whatever they spend in the Hippodrome, be it on gambling, the bar, the restaurant or the theatre. They can use those points, as with any other loyalty scheme, to buy food, drink, shows, gifts and gambling vouchers. They can also move up through different tiers and get different advantages such as a discount to go to Vegas, getting two nights free in a hotel that we partner with. There are benefits. We have a box at Arsenal that we invite customers to.

The Chair: Is that an incentive this season?

Simon Thomas: We have a very different attitude to some of the firms you are thinking about, because we want a long-term relationship with our customers. We want to foster good behaviour.

In answer to the supplementary question on our staff and bonus schemes, I do not have a bonus scheme in my business. I do not like them. I think they drive short-term behaviour and I want a long-term business relationship, so I do not have any incentives for my staff.

John O'Reilly: When I joined Ladbrokes many years ago, after a couple of years there I was given responsibility for the credit and telephone betting business. I inherited something called the Diamond Club, which rewarded customers for their losses, if you can imagine that? It lasted about 30 minutes before I stopped it.

As a consumer I do not like the thought that you are rewarding me for losing money. I find that somehow offensive as a customer, so as an operator I see no logic in doing that. We run schemes that reward customers, but the consumer quite understandably expects nothing different from their casino operator than what they expect from anything else in their life where they spend money. If they are spending money, they expect the service we provide them to reflect the money that they are spending. I do not think there is anything unusual in that.

However, in gambling they do not want it delivered in a formulaic way. We do not have gold, silver and bronze clubs. In Mecca, by way of example, we have a rewards programme that rewards people for their play. There is no relegation or demotion. Once you are in the group, you are in the group and you get a certain level of reward through bonuses and so on, and that is what you receive as a customer.

But you do not know how you have arrived in the group or what you have to spend to get into another group. We make that invisible. Formulaic incentive programmes for customers just seem anathema to me. It does not make sense for me as an operator, because it does not make sense from the customer’s perspective.

Lord Butler of Brockwell: But your rewards are as good if you win as if you lose?

John O'Reilly: Absolutely. It does not matter whether you win or lose.

Q96 **Lord Parkinson of Whitley Bay:** I understand that the Hippodrome is part of the Self-Enrolment National Self-Exclusion scheme, or SENSE. Could you quickly explain to us how that works, how many people it covers and how effective you think it is?

Simon Thomas: It is very good. There used to be individual self-exclusion schemes. This is a national scheme whereby you can enrol in any casino and get yourself excluded from all casinos at the same time. Imagine a situation where someone is in distress, They come to us wanting to take a break or we approach them and say, “Maybe you need to take a break from gambling”. They join the scheme and sign a legal contract with us. We take their photograph, which in our club goes on to the facial recognition systems. That photograph and their details go to every other casino. If they are on any of their mailing lists, they are taken off them.

The scheme says that the person is primarily responsible, but we will do everything in our power to help them, which we do through facial recognition. If it is one of our customers, we will tend to know them if they have been playing for a while. If they were to come in and use any of their ID cards, they would be picked up immediately, but normally with face recognition we would pick them up on the door. That works very well, because if someone self-excludes from a casino in Liverpool and then comes to London, we will still recognise them through the technology.

Last year, we had 1.8 million customers through the door. We had 222 people enrol in the SENSE system in the Hippodrome. Nationally, about 5,700 people a year enrol in the SENSE system.

Lord Parkinson of Whitley Bay: How quickly do you share the photograph and that data?

Simon Thomas: The same day.

Lord Parkinson of Whitley Bay: So if they walk out of your casino and into somebody else's the next day, they should be stopped?

Simon Thomas: It is pretty efficient.

Lord Parkinson of Whitley Bay: And you have to enrol in person in a casino. You cannot sign up to the scheme online or over the phone.

Simon Thomas: It is normally people who are in the casino at the time who are enrolling[11].

Lord Parkinson of Whitley Bay: How long do people tend to stay on this scheme?

Simon Thomas: The scheme has a minimum of six months, and they do not drop off automatically. They have to ask to be taken off it and will be interviewed at that time. There is another intervention and assessment of whether they are in a good condition to come off it. Some people are fine; they just want to take a break from gambling. Some people are not and need to stay on longer.

Lord Parkinson of Whitley Bay: But the responsibility rests with the person who says, "I think I have a problem. I need to have a break and it's up to you", while the website says that the responsibility for complying with the scheme rests with the customer.

Simon Thomas: The ultimate responsibility has to rest with the customer for it to be effective, but we will take all reasonable measures to try to help them.

Lord Parkinson of Whitley Bay: So if the customer turns up, they are on the scheme and their photograph flashes up at the door, you will say, "No, you shouldn't come in", but if they say, "No, my six months are up"—

Simon Thomas: No. We have private clubs, so we have a total right to keep them out.

John O'Reilly: We would restrict them. This is a really important question. Some of the responsibility has to sit with the customer, but clearly under the regulatory framework in which we operate it also sits with us. Just because a customer gets to six months does not mean that

[11] Note by witness: online enrolment in SENSE (Self-Enrolment National Self-Exclusion scheme) is an option.

we can just allow them back to play. If we recognise that they are in danger of improper gambling, we cannot let them back to play. This creates quite a challenge for our colleagues, but it is one of the things we have to deal with.

Lord Parkinson of Whitley Bay: Is there way of enforcing this online as well?

John O'Reilly: The same thing applies online. It is a different scheme, but it works in exactly the same way. In online, the number of people electing to self-exclude is very much greater than it is in bricks and mortar premises, because online it is one press of the button, and "Now I've self-excluded".

One of the challenges in the digital space is that customers often self-exclude without very much thought. In bricks and mortar, typically you will be with one of our colleagues when you are working through the self-exclusion process. It is therefore probably a more considered thing when it is premises-based self-exclusion than when it is in the online space. When it is online, I press a button and I self-exclude—that is it.

Q97 **Lord Foster of Bath:** I want to ask you about credit and debit cards. In the written evidence that Rank sent us, you say that you want debit cards to be able to be used on machines. Can you talk us through how you think that will not lead to problems?

John O'Reilly: Currently, you have to feed gaming machines with cash, and I do not think that is in the consumer's interest[12]. We are increasingly a cashless society and we are heading in a direction where many outlets now simply do not accept cash. I cannot buy a cup of tea on a British Airways plane any more with cash, I have to use my card, and I do not really see why we should be any different. A card actually helps us as operators to track player behaviour.

Lord Foster of Bath: Would the daily limit on a debit card still apply when used in your machines?

John O'Reilly: Indeed, and our responsibility as an operator means that just because you are playing with a debit card does not mean that we should not be controlling your expenditure, because we have to.

Lord Foster of Bath: I just wanted to give you the opportunity to put that on the record. Can we now move on to credit cards? The Gambling Related Harm All Party Parliamentary Group today published its interim report, which strongly recommends banning the use of credit cards for online gambling. How do you respond?

John O'Reilly: I think it is inevitable that it will happen, but I do not think it is the right thing, and I say that from what in my view is the consumer's perspective. When they are gambling, a lot of people use a credit card for good reason. They use it, because they feel that the

[12] See supplementary written evidence GAM0102

transaction is more secure because it is better protected. If you use a debit card, the perception is that someone could get access to your bank account, but a credit card is restricted to your credit limit. In many ways, people feel more secure using a credit card. For lots of international players, debit cards simply do not work in the UK, so the only means of playing is by using a credit card.

People use their credit cards for reasons like the rewards they receive from the credit card company. They use their credit cards, because it is effectively a cash card that is settled automatically at the end of the month and they pay no interest whatever. They are not necessarily using their credit cards for credit.

As operators, our responsibility is to ensure that people can afford their gambling and that they are not getting into problems. I think that is our responsibility regardless of whether somebody is playing using a credit card or a debit card. Use of a credit card is potentially a marker of harm, so the level of scrutiny that we apply should be higher in circumstances where people are using a credit card. However, just to say that customers can no longer use a credit card for gambling is a breach of consumers' liberty. I do not think it is the right thing and we should be able to provide adequate protection.

Simon Thomas: I do not encourage anyone to gamble on credit, because I do not think that is right. There is a risk with credit cards, because obviously you are gambling on credit. I have total sympathy with overseas customers, because some of them do not have debit cards as we understand them, but we live in the cash business. You can use a credit card to take out cash from ATMs, but you are limited to a daily cash limit. You can take out cash from ATMs with a debit card, but you are limited to a daily cash limit, and those limits are set by the banking system, so that they are relevant to you.

There is the added protection, which was started by the challenger banks and is now being followed by some of the traditional banks, whereby you can ban your card from gambling transactions. That is a strength in their favour. I think it is inevitable, though, that credit cards will be banned for online gambling.

Q98 **Lord Trevethin and Oaksey:** I think your submissions reflect the fact that you both feel that you owe certain duties in a broad sense to your customers, but I want to ask about the possible existence of a legal duty of care, which as you probably both know has a specific meaning. In effect, it means that you can be sued if you fail to take, broadly speaking, appropriate steps in response to evidence of problem gambling and suchlike.

Assuming that there is no such duty of care in English law at the moment—that is slightly uncertain—can you give your views on the merits or demerits of introducing a duty of care and what effect that might have on your businesses?

Simon Thomas: It is all about a balance. We have a duty of care now and we as an industry occasionally get sued by customers. If we get it totally wrong, people can fairly have a go at us, which obviously helps us to be very responsible.

The Chair: In what ways?

Lord Trevethin and Oaksey: Can you give an example of how you might get it wrong in a way that would trigger a legal action against you?

Simon Thomas: Thankfully, we have not had any, but we as the gambling industry have had some fairly public cases where people have been sued, because they did not follow reasonable protocols and they allowed problem gamblers to gamble with money that was not theirs.

Recently, there have been some quite well-publicised fines for that. I know that the Dutch are introducing a duty of care. It started off as an onerous sided-to-the-player duty of care, but it has been greatly moderated so that it is now a joint duty of care. It was a total duty of care on the operator, which would not work. Gamblers would go in, lose money, cry foul and ask for their money back. That would be the end of the gambling industry, because it would be very one-sided.

Consumers have to be responsible for their actions, so it depends on where the balance is when talking about a legal duty of care. This is quite complex.

Lord Trevethin and Oaksey: I sense that you perceive that the gambling operators are potentially exposed to legal action where, for instance, they fail to respond appropriately to a self-excluding gambler or something of that sort. That is actually my view. What is your view, Mr O’Reilly?

John O'Reilly: This is quite a difficult area. I start from the premise that the 2005 Act created a set of statutory responsibilities. We would put our licences at risk when we operate and there is no more punitive an action than taking away somebody’s licence to operate at the company level, the corporate level or, in both our cases here, at the individual level. It is clearly in our interest to ensure that we fulfil our obligations.

One of the challenges, as Simon said, is that in circumstances the customer has what I would call a bet to nothing. They play and they win; that is fine, and they take the money. They play and they lose, and they cry foul. That puts us in a difficult position as an industry, and we could waste an awful lot of court time dealing with such cases. That would not be in the interest of the courts or the operators.

I come back to the point that the Gambling Commission has a lot of teeth, and in recent years it has demonstrated a willingness to bare those teeth.

Lord Trevethin and Oaksey: Thank you. You have long experience in various sectors of the gambling industry. I do not need the details, but do you have experience of gamblers bringing legal actions when they feel that they have been treated unfairly?[13]

John O'Reilly: Yes.

Lord Trevethin and Oaksey: Is that sometimes with success and sometimes not with success?

John O'Reilly: Indeed.

The Chair: We have slightly run over our time, but it has been well worth while. On behalf of the Committee, perhaps I may thank you both very much. Please feel free to send us any further thoughts on what you have said and what you wish you had said. Again, thank you.

[13] See supplementary written evidence GAM0102