

Digital, Culture, Media and Sport Committee

Oral evidence: Immersive and addictive technologies, HC 1846

Monday 22 July 2019

Ordered by the House of Commons to be published on 22 July 2019.

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Members present: Damian Collins (Chair); Philip Davies; Clive Efford; Julie Elliott; Julian Knight; Ian C. Lucas; Jo Stevens; Giles Watling.

Questions 1554 - 1617

Witnesses

I: Neil McArthur, Chief Executive, Gambling Commission; and Brad Enright, Programme Director, Gambling Commission.

Examination of witnesses

Witnesses: Neil McArthur and Brad Enright.

Q1554 **Chair:** Good afternoon. If I can call the meeting to order, this is the final meeting of the Select Committee for its inquiry into immersive and addictive technologies. We are very pleased to welcome the Gambling Commission to give evidence to the Committee this afternoon.

Before we start the evidence session, I would like to ask Philip Davies if he could make a personal declaration for the record.

Philip Davies: Yes. Can I refer people to my entry in the register of members' interests and specifically draw attention to visits to the races with betting operators?

Q1555 **Chair:** Thank you. If I could start the questioning, you may be aware that one of the issues we have been looking at as part of the inquiry is the role of loot boxes within free-to-play games and whether loot boxes could be considered to be a form of game of chance that could be equated to or compared to gambling. We are very interested in your position, as to whether you believe there could be grounds for redefining



loot boxes as a form of gambling within games.

Neil McArthur: Thank you. Our position is loot boxes could be a form of gambling, but like so much, it depends on the exact circumstances in which they are offered. The Gambling Act tells us that gambling is either gaming, betting or lotteries and this is a form of gambling. Then the Gambling Act tells us that gambling means playing a game of chance for a prize. You can certainly see circumstances when a loot box might fall within that definition.

Where things become a bit more complicated is when one looks at the definition of “prize”, and prize is defined as being “money or money’s worth”. I am sure the Committee has already heard this. What that means is that the prize must be something that is—using the Concise Oxford Dictionary’s definition of “money’s worth”—equivalent to money. If I could give an example, if you took a casino chip, which is a piece of plastic, but in the casino you can go to the desk and you can turn that into cash, that is clearly money’s worth. If you were given a chip at a free charity event and at the end of the night it was just whoever had the most chips and there was nothing for that, that would not be money’s worth. There is a whole continuum in between, so it does turn on its facts. But certainly there are circumstances where we would consider loot boxes could fall within the definition of gambling.

Q1556 Chair: One of the games we have looked at in particular is the FIFA football game. There people are making in-game purchases for player packs. It is a game of chance, because they have to pay for the pack of players, but they do not know which players they are going to get when they make that decision. There is no information for the player about what the odds are of getting a good player or not. Indeed, if they are unhappy or unsatisfied with the pack that they have, the chances are they may then seek to purchase additional packs in order to develop their team. We know from evidence that we have received some players can spend a considerable amount in seeking to develop a team in this way. Looking specifically at this sort of loot box activity, would you say here people are speculating with real money in order to acquire something that has value to them and they are doing it through a game of chance?

Neil McArthur: Brad will probably have more of the detail, but my starting point in relation to that would be that where we have drawn the line is on the ability to turn that back into money through some mechanism. If it is possible through secondary markets or through a market offered during the game, we can see that that would turn it into gambling. We would take action in those circumstances and we have done. But on the question of the exact mechanic you have just described, perhaps let me hand over to Brad.

Brad Enright: In the EA scenario, we have engaged with EA, and when it explained the mechanic of the game, clearly the player is playing a game. The fact that it is randomly determined what players you get means that it is a chance; it does turn on the prize and whether it is prize of money



or money's worth. In this scenario, our understanding is that EA has taken lots of measures to prevent secondary markets. We know that there are ad hoc examples that members may have had drawn to their attention, but we are satisfied that there is a sufficient ongoing proactive effort by EA to prevent a player being able to take the games and exchange them back into cash, so we do not think that would meet the definition of money's worth in this scenario.

That said, the very fact that there is an expenditure, a chance-based mechanic, children playing the game, we appreciate that that poses significant concerns and the Committee has heard those from different witnesses. Clearly we are constrained by what we can do by the current legislation, whereas some people have advocated for the legislation to be changed to have a much broader definition, so "something of value", that those players are of value to the players. We think that would need a change in legislation, but also in doing that you would have to be very careful not to catch lots of other activities, which may also incorporate expenditure, chance and a prize of value or worth to the player.

That is where we are with EA, but it is a watching brief. If we were unsatisfied that it was taking measures or we got lots of reports that there were lots of secondary markets and they were becoming more sustainable and more sophisticated, then obviously that view would change because it turns on that money's worth definition.

Q1557 Chair: There has been relatively widespread reporting. The written evidence the Gambling Commission has sent in to the Committee as well makes clear the existence of the secondary market, where people are trading for cash items that have been acquired through in-game purchases. The gaming companies have a policy saying they do not want people to do this, but it does not mean to say they are effective at stopping them doing it. Well, they will do it when they catch them, but it does not mean to say that they can stop this happening. But the in-game purchases themselves I think have value, so I would say they have money's worth because people are spending money to acquire these players, then in addition to that, they can also then sell them. There are also examples of people selling other forms of in-game purchases as well and people making very large amounts of money for rare skins for characters in different games and tools and weapons and so on.

At what point do you feel we can start to say, "Well, this has a monetary value"? In some cases it can be sold for monetary value, but it has a real value to the game players, because these are highly sought after tokens and tools.

Neil McArthur: We have thought long and hard about this, because we recognise that in loot boxes, and you will also be aware from our evidence we have concerns around social casino games, that you might be able to play games that give you things that are of value to you that are not money or money's worth under the current definition. Where that line is clearly crossed we have taken action. We refer in our evidence to



one particular case where we prosecuted the people successfully. There have been lots of other occasions where the Gambling Commission has taken steps to intervene with the people offering gambling in those sort of arrangements, both through skins betting-style arrangements and other arrangements where it is possible to cash back out. But it is complicated and I know that other jurisdictions have different definitions. There is quite a lot of case law around what money or money's worth means, the difference between how you would assess value, the fact that value needs to be objectively assessed rather than in the eye of the beholder, so it is quite a complicated area.

Just to pick up a last point, we understand the concern and share many of those concerns, but our proposition would be that in addressing that, you have to be really clear what the harm is that you are trying to address and work out what the appropriate mechanism is. If that turns out that defining it as gambling is the right mechanism, we would stand ready to do that, but you can foresee that there would be unintended consequences potentially if those definitions are drawn very wide. To give you a real example of that, in the past when we have been trying to establish the extent of our remit, you can see how a combination of an element of chance, payment and a reward might catch things like pub quiz machines. I don't think that was intended as the sort of gambling machine that the Gambling Act was intended to regulate, but we understand the point and we worry about it quite a lot.

Brad Enright: On the point about terms and conditions, because that was an important early issue that we encountered when we engaged with the gambling industry, obviously it is not our usual beat. This was quite new to us in terms of engaging with the video games industry. That was often the response we heard, "We don't want these secondary markets. We don't want these third party skins betting websites and they breach our T&Cs". We were quite clear that simply having the T&Cs there is not sufficient. If they are infringing your intellectual property, you should be motivated to be proactively dealing with that and not leaving it to individual domestic gambling regulators that are struggling with this around the world.

With the likes of EA, Jagex, who I think you heard from early on in the inquiry, they responded quite positively to that point and put measures in place to try to be more proactive in policing their terms and conditions and stopping the secondary markets. We think there are other large gambling companies, such as Valve in the US, that should be doing more, quite frankly. They are quite good at closing down third-party websites when we draw their attention to them. We think that they have the creativity and the talent to come up with solutions that would make that far more proactive, so that individual gambling commissions around the world are not dealing with this issue one by one.

Q1558 **Chair:** Yes, I think the experience of this Committee, the companies are really good at doing stuff like that when they are made to or there is a



big commercial incentive in doing it. Other than that, I think they largely pay lip service to it.

This argument about the definition of whether this is a form of gambling or not is important. It is about the responsibility of the companies, because on one level EA could just say on FIFA, "Just buy the players you want". You would earn coins during the game or you can buy coins and use them to purchase players that you want at face value. We spoke to Jagex, and a lot of the way its loot box works is you are given the option to buy stuff at a set value and you buy it or you don't buy it. But this mechanism within FIFA, it is gamified because you are taking a risk, you are gambling—big G or small g—on what you are going to get.

I would imagine the reason it has been designed in this way is it makes more money doing this, because people are spending money buying players they do not want. Therefore at the moment there is no real obligation for EA to explain what the odds are you are going to get the player that you want, what the risk is involved in this. It might say it self-moderates, because if it seemed to be too futile, people would not bother doing it. Nevertheless, should there be some sense of responsibility for the companies? We have had lots of evidence that some players spend vast amounts on this mechanism and there is no obligation on EA to monitor how much people spend, unlike betting companies that you regulate, where there are obligations to identify people with a problem, to proactively talk to them about that.

There aren't the same obligations here. There is no obligation to give people an idea of risk. I would be quite interested whether you think there should be. Obviously the only way you could probably insist on it is if it was part of some regulated market, but do you think this is something where there should be more progress being made by the companies?

Neil McArthur: This is an area where progress needs to be made. If you look at what we have tried to do in this area, we have published, going back to 2015, some position papers on this saying, "Be very careful about this. This has features that look and feel like gambling". Here is the Gambling Commission explaining to the gaming industry what the law is and saying, "You need to be careful to stay away from this boundary here, because the more you make yourself look like this, the more you will come of interest to us and others and we will have to look at that". We have been briefing the trade bodies. Brad can say a bit more about the work we have been doing with trade bodies.

All the regulators in Europe and a few more besides are concerned about these issues, which is why we were parties to the conversation that gave rise to the joint declaration by gambling regulators around Europe, which included the Washington regulator as well, which said, "We are all concerned. While our home legislation differs in important respects, we are concerned about this".



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Most recently, in response to the Online Harms White Paper, we asked the Advisory Board for Safer Gambling to give us some advice on this, because it is gambling lite—I am not sure that the Committee has seen that; we are very happy to share that—where it expresses concerns about the need for actions around games that look and feel like gambling, even though not technically legally gambling at this point under the current legislation. Do you want to talk about trade bodies?

Brad Enright: To pick up on the point you made about it, it is important context, if you like, the distinction between different types of loot boxes. The ones you described in EA very much are perceived as being about progress in the game and the kudos that comes with that. There are other loot boxes that are purely cosmetic and therefore optional and are seen by gamers that we have spoken to and engaged with almost as a bit of a nuisance, but an optional nuisance, “We don’t approve of them, but we can sort of ignore them”. The Star Wars game a couple of Christmases ago, there was the suggestion that would help accelerate your progress through the game, and that was when there was a real backlash from the gamers themselves and we were inundated with calls for this to be called gambling.

But the position paper that Neil talked about predated the furore about loot boxes, when people were far more concerned about things like skins gambling. The purpose of us doing that was again to recognise the fact that this was not an industry that we were overly familiar with. I think there was a degree of caution on the video games industry’s side, perhaps from a mis-sensed idea that there was a sort of land grab to regulate video gaming, which was absolutely not our intention. As Neil said, our intention was to say, “Here is where the line is for regulated gambling. Move away from it” and providing that guidance, because certainly what we found and what wider research has found in North America is that understanding of gambling law is pretty poor in the video games industry. Some might say, “Why would they need to know about gambling law?” Clearly as they get closer to the line—and in some cases leap over the line—it is vital that they know because they could be breaking the law in different jurisdictions.

Q1559 **Chair:** Absolutely. I think the reason the debate is important—and you are right to say that not all loot boxes are the same, just as not all games are the same—what we have seen is this trend whereby in the games industry the free-to-play games make their money through in-game purchases principally, over advertising or other things. Therefore they suddenly have a commercial incentive, which isn’t there for all formats of games, to keep people playing the game for as long as possible, either in a single sitting or as frequently as possible. Therefore we have had this long debate with them about whether you consider that a definition of gaming as an addiction, an addictive tendency, does exist, as the World Health Organization believe that it does. In most other sectors where we believe that a form of addictive behaviour can develop, there are practices in place.



If a landlord serves alcohol to someone who is drunk, they can lose their licence. Someone running a betting shop has responsibilities to monitor the behaviour of people that are in their shop. None of those responsibilities exist here within the gaming sector. Again, what we would question is if someone is spending excessively on loot boxes to improve their chances of performance within the game, for those individuals, that starts to take on some of the characteristics that we would identify as being harmful in something like gambling. Therefore, should there be a level at which a body comes in, a regulator comes in and says, "If this is what you are allowing and facilitating at this scale, then that takes on the characteristics of gambling and we might start to treat it as such"?

Brad Enright: That is a fair point. It comes back to the question of having established the extent of the harm that is being experienced. I think the recent BBC stories played into the concerns the Committee members have had throughout this inquiry: what is the best solution? In some quarters, certainly consumers that just don't like loot boxes as a concept within video gaming and they think it is an offence to video gaming, they have leapt straight to the solution of, "This should be regulated as gambling, so you should change gambling law. If it is not technically in the definition now, then you need to change the definition and bring it in".

We are not experts in the video game industry, but presumably there are other options that also exist around flexing or using existing consumer law, whether the industry can be trusted to take any self-regulation measures to deal with excessive spend and suchlike, or whether there is a need, as part of the wider work on online harms, for a specific regulator rather than applying full gambling regulation to the video games industry.

Q1560 Clive Efford: How concerned are you about the psychological similarities between the variable ratio reinforcement schedules that loot boxes and other game mechanics employ and gambling?

Brad Enright: We have already touched on it, that there is concern about the similarities with loot boxes and gambling and the chance-based mechanics, the mixture of expenditure, inviting rapid continual transactions. In our opinion, the video game industry have in effect left themselves open to these sort of challenges because of the manner in which they presented these games, created these for commercial purposes and then perhaps have not heeded entirely the guidance that we have issued in some circumstances. I want to say that we are talking about a small number of games.

Q1561 Clive Efford: We have had evidence from a parent who is concerned that there is one particular game that is aimed at children over the age of four and that it includes a game within the game that engages the spinning of a roulette wheel. That is opening children up at a very early age to the experience of gambling. Do we have any concerns about that? Do we think that that is something that needs regulating in any way?



Brad Enright: The position paper that we published covered a range of issues, which in umbrella terms said were blurring the lines between digital entertainment, video gaming and gambling, so that included things such as loot boxes, betting on e-sports and skins gambling, but also concern around gambling imagery or even mechanics being embedded within games. That was covered in the position paper that we published in 2016. Yes, we are concerned about that, and where they cross the line into playing a game of chance for a prize of money or money's worth, they are gambling.

Where they don't quite meet that threshold, we have been clear that we do not think the current age ratings are in line with public expectation, so that should not be available for four-plus or even 12-plus. That is where our concern around social casino gambling comes in, that we think games that are described as "frequent and intense simulated gambling" should not be made available to children.

Q1562 **Clive Efford:** Thanks for that. Are you aware of the research that has been done by Dr David Zendle? He suggests that there is a link between spending on loot boxes and problem gambling and he thinks that there is a danger that companies are exploiting people who are vulnerable to having a gambling addiction and therefore monetising those people and making a lot of money of them. What is the Gambling Commission's opinion on that? Is there anything that you intend to do or can do?

Neil McArthur: Once again, let me hand over to Brad in a moment to do the detail, but in terms of my understanding of the research, first, there were concerns expressed about the similarities between some of these things and gambling. We agree. We are concerned about the similarities of some of these games and the game mechanic and the way that a player interacts with that game looking and feeling like gambling. We share that. The fact that there is a link established between loot box spending and problem gambling is a concern to us. We agree that it is important to understand that.

As I understand the research, what Dr Zendle has found is that there is a correlation between the two. He is not saying that one causes the other. That understanding of correlations between factors and problem gambling is something that does concern us a lot. It is part of the work that is now mapped out in the National Strategy to Reduce Gambling Harms. It is understanding that all better. In many respects we agree. What I don't think Dr Zendle said, but Brad can confirm for me, is that he could find there was a causal link that said if you spent on that, you would become one. But understanding that consumer behaviour and what the links are between vulnerable people harmed by gambling and what the facts are is really important and we are determined to make progress on that.

Brad Enright: To add to that, we welcomed Dr Zendle's research. He appeared on a panel that we chaired at the recent Children's Media Conference, so we hope to have ongoing dialogue with Dr Zendle. I think it is right, as you said, it was a link rather than a cause, but the



recommendations that came from Dr Zendle's research seemed like very sensible recommendations to do more research in this area and to improve information to parents and players—these are the sort of things that we have been trying to do ourselves over the last three years—and also to consider again the age ratings and whether, irrespective of whether these games are technically gambling or not, it is appropriate to have expenditure, a chance-based mechanic and a prize available to under-18s. To be honest, they are recommendations that the video games industry should probably take stock of.

Q1563 Clive Efford: If we are dealing with the gambling industry, it is clear-cut people are going there to gamble and then we want to protect the most vulnerable from being exploited, but here we are dealing with people who are going to play a game and then as part of that they are being exposed to gambling. Shouldn't we take a much more precautionary approach? Is it good enough to say, "We have not identified the link, so therefore we will allow it to continue"?

Neil McArthur: Sorry if I made that sound like I was not suggesting a precautionary approach. I absolutely think there should be a precautionary approach. One of the things that the Gambling Commission has done recently is to require operators to put free-to-play games behind the age gate, so you can no longer play free-to-play games on an online website until your identity has been verified and your age has been verified. We did that on a precautionary basis to increase the protections for children and young people, to avoid them playing free-to-play games. We have required that of the people who are required to be licensed by us. I can see that then throws into sharp relief free-to-play games that look and feel like those that are now offered by people who are not licensed by us, so I think we share those concerns. As Brad said, we have been pretty clear to the games industry that we think they should think very carefully about the age rating of those products, because we are concerned about them.

Q1564 Clive Efford: Going back to the questions that the Chair asked you earlier on about the chance games within FIFA, for instance, you accept that it is possible to monetise those prizes?

Brad Enright: We have examples of ad hoc markets. Our understanding is that EA has a constant battle and a team working on disrupting and preventing people doing it. The Committee may have had an example drawn to its attention, but what we are saying is there is not a sustained secondary market that will always be available.

Q1565 Clive Efford: The evidence that we have is there is quite a huge market it is having to spend a great deal of money on and that the FBI got involved in a big huge case in America investigating this. There is quite a substantial secondary market where you can monetise these things that you win by chance.



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Brad Enright: There is unquestionably a demand for a secondary market. Our challenge to EA was for it to demonstrate how it is proactively stopping and preventing that secondary market developing, so there is a judgment to be made about an ad hoc secondary market, for example, somebody offering to sell their EA account on eBay, does that immediately turn the entire EA game into gambling? There is a judgment to be made across the spectrum. We have had examples where there are very sophisticated secondary markets where you can readily exchange in a matter of minutes skins from a particular game into money. In those cases we are saying, "You are so far over the line, that is clearly gambling". I think in the EA case there is a question of judgment. At the moment we think it is putting sufficient resource into preventing that, but that is an ongoing monitoring. If that changes, then our view changes.

Q1566 **Clive Efford:** But my original point was, "This is not gambling, this is gaming" but people are being exposed to elements of chance that are tantamount and have all the psychological similarities of gambling. It can be monetised, albeit in an unofficial way, so why isn't it gambling? Why aren't we taking a precautionary approach?

Neil McArthur: Sorry, I may be about to repeat what Brad said, but in those circumstances it may very well be gambling and we will take action. We have taken action over the last four years against more than 120 unlicensed online websites to disrupt them; 20-plus of those were skin betting sites that were allowing you to take skins and gamble with those. We are taking action and we are disrupting them. We are also calling for the games platform providers and the games manufacturers to be proactive in terms of managing those risks to make it as difficult as possible for people to create parasitic offerings based on their game platform that encourage people into gambling.

That is what we have done. We have only prosecuted one case through a complete prosecution, which was the FutGalaxy case that was referred to in our evidence, where we did prosecute individuals who had worked out a way to monetise it, who did not stop when we told them to stop and said, "We are not gambling". We prosecuted them successfully. In most other cases what we find is our intervention results in that website shutting down very quickly and re-emerging somewhere else a little while later, which is why, alongside the proactive activity that we undertake in this area, we want to see the games providers managing the risks in their game, because at the end of the day it is their games, it is their intellectual property that is being associated with gambling.

That is the reason why we have invested time and energy explaining to them where the legal divides are drawn and suggesting that they do everything in their power to stay away from it. But I think we are in agreement that if it has all of those functions, it may very well be gambling. If it is, we stand ready to take action and have taken action.

Q1567 **Clive Efford:** In terms of understanding what is going on in the loot



boxes and the mechanics of how they operate, is there enough research taking place? What are you doing to make sure that you are fully up to speed on what the gaming industry are up to?

Neil McArthur: I suppose three things principally. We have an insights team, who monitor developments across gambling and at the margins of gambling and we also take intelligence into that to form our view in relation to that. We have asked our advisory board, the Advisory Board for Safer Gambling, to look at the research that is available and form its view for us to feed into the Online Harms White Paper, which it has done. We also established a digital advice panel, which is made up of experts from a variety of technology backgrounds in social media, in games design, in technology officers and so on to help us stay in hot pursuit of developments, where we will take things to it and get its advice. I think we are being as proactive as we can be.

The other thing I would like to go back to is we have been very prominent in terms of trying to create a public debate about this through the position paper that we started in 2015 and the follow-up to say, "We understand why people are concerned". If you look at our definition of vulnerable people from a gambling perspective, that is people who are at risk of becoming harmed by gambling because they are spending more than they want or spending more time than they want or they are unable to control their compulsion to gamble because of other factors. You can see that those very same features could apply in gaming. We are very concerned, but I have to be mindful of the fact that I am also a statutory regulator who has to work within my remit. It does have to become gambling before I can prosecute.

Q1568 **Ian C. Lucas:** If businesses like EA do not want to encourage gambling, why do they continue to use loot boxes? Wouldn't it be easier for them to not use loot boxes?

Neil McArthur: I may sound evasive, but the motivations of EA I cannot speak for. I would be speculating rather than giving evidence to the Committee.

Q1569 **Ian C. Lucas:** Can I tell you why I have asked that question? I am particularly concerned about children and I am particularly concerned about children being introduced to gambling. I have been listening very carefully to you gentlemen and it seems to me that there are very closely defined differences between the process of gambling and the processes of using a loot box. Bearing in mind we know that children are using these games and that it is creating a use or an understanding of a process that is very close to gambling for children, that concerns me. My guess, to answer the speculative question I asked you, is it makes money for EA. That is my guess as to why it continue with loot boxes. Bearing in mind you said that you are pursuing the precautionary principle, wouldn't it be a good idea to ban loot boxes, as I understand they have done in Belgium?



Neil McArthur: The first thing I would say, I share those concerns. We have made it clear in the evidence we have given that the Advisory Board for Safer Gambling has expressed concerns about this, that associating gambling like behaviours and children's behaviours are a source of concern. We do share those concerns. As Brad said, loot boxes cover a multiple of things, so you need to be clear what the harm is that you are trying to address. In some respects I am even more concerned about social casino games, because there you are just playing what would otherwise be a gambling game, you are playing slots and you don't even get the distraction effect of then being encouraged to go and play something else with the items that the loot box deliver to you. We are very concerned about that, but the matter about whether they should be banned, I think if they cross the line currently into what is gambling, they have to be licensed, that is clear. If not, we will prosecute.

The prior question I am not sure is one other than expressing concerns for the gambling regulator to—

Q1570 **Ian C. Lucas:** Why is our perception here different to that which exists in, for example, Belgium? Why has it made the step that we have not made?

Brad Enright: Belgian gambling legislation has a broader definition of "prize". That is what it comes down to, it is basically "a gain of any kind", so that is where you get into the sense of worth to the player. It is very broadly defined and therefore that has allowed the authorities to threaten legal action against some of the larger operators and they have withdrawn while they consider the legal opinion.

The Netherlands is also sometimes thrown in there as being distinct to the UK. We have worked quite closely with the Netherlands and we engaged with it following our policy work and it looked into this issue. Its view is pretty much the same as ours, that it talks about being able to transfer and exchange for money.

Q1571 **Ian C. Lucas:** Just so I am clear about the distinction that you outlined, for example, if I won a cruise as a result of this process then in the Netherlands that would be gambling, but in the UK it would not be. Is that right?

Brad Enright: That is where you start getting into a more difficult definition. In the social casino gaming context, for example, we have said up until now it cannot be classified as gambling because you are not playing for a prize of money or money's worth. What we then found was that some elements of the social casino game industry were allowing people to earn loyalty points for use on restaurants, for things that you would otherwise be paying for, and we did say, "You need to stop doing that". That, in our view, would fall under money's worth, so perhaps the cruise example we would say is money's worth. But simply acquiring the skin of a character or something that is entirely for use within the game, currently we are saying that that does not constitute money's worth. A



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cruise clearly is not for use in the game, so we think that that would fall under our definition.

Q1572 **Chair:** For my own benefit, if no one else's, to bring some clarity to this, if hypothetically with the FIFA football game EA allow people to cash out players, then the loot boxes would constitute gambling?

Neil McArthur: Yes.

Q1573 **Chair:** The question is then whether the players acquired through the loot box have monetary value or not. If EA was linked in any way with the commercial sites where people are trading these, then they would, there would be a responsibility. The question here seems to be that if it does not have a relationship and its policy is not to let it happen, then it is ambiguous.

Brad Enright: Ambiguous, yes, but we have said that it is not enough to simply say, "We don't really approve of this. We have T&Cs. We do not want this happening" because you can make a case that says you do derive an indirect benefit, that these mechanics drive interest in the game, longevity of the game. That is where we have been quite robust with large video games companies to say, "We can see you have T&Cs. What are you doing to apply them?" because if they are not applied then you are complicit.

Q1574 **Chair:** The Gambling Commission's written evidence to the Committee says, "We are concerned that there are large video game companies who are failing to proactively enforce their own platform's terms of use to prevent in-game items being readily exchanged for cash". That to me suggests a bigger concern. I think the expression you used earlier, Mr Enright, was "ad hoc examples". To me this suggests a much wider problem. Would you say that EA is in that category of games companies who are failing to proactively enforce their own platform's terms?

Brad Enright: No, I do not think that at the moment.

Q1575 **Chair:** Could you name a company who you think is?

Brad Enright: The popular game Counter-Strike: Global Offensive is the game that probably we have received the most complaints and enquiries about. That is a game produced by Valve, a North American company based in Washington. We have had dialogue with Valve. Where we have drawn its attention to particular games where we have evidence of British consumers, including children, gambling on those sites, it has closed them down. What we have said is that that is not a sustainable approach. We cannot be monitoring the internet every day looking for skins gambling website or exchange sites.

It has created this situation, perhaps not intentionally, but the situation has been created by the commercial model it has built and done very well out of, therefore we think there is an onus and responsibility on it. It has presumably the creative talent to come up with far more technical



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solutions than we can to address the by-product of how it is operating. That is the biggest example that we have engaged with and we challenged it to do more proactively rather than wait on ourselves, the Netherlands, others, Washington, to draw its attention to issues. It should be proactively dealing with this.

Q1576 **Chair:** If you determine that it is not responding as you would wish, what power do you have to do anything about it?

Brad Enright: Ultimately we have the criminal powers within the Act to prosecute for providing facilities for gambling without a licence.

Q1577 **Chair:** So you would have to define that you believe this was in effect gambling?

Brad Enright: Yes.

Q1578 **Chair:** What would be interesting to know as well, let's say hypothetically that the loot boxes were defined as a form of gambling. Let's say hypothetically that it was decided that the FIFA loot box is a form of gambling. For EA, in terms of how it runs that game, what will it be required to do and how would things change? What would need to be done in that scenario that is not done now?

Neil McArthur: In circumstances where the law was changed so that they were defined?

Chair: Indeed.

Neil McArthur: Then first and foremost, if you are providing facilities for gambling to consumers in Great Britain, you would need to be licensed by the Gambling Commission, so you would need to obtain an operating licence. Not doing that would risk criminal prosecution.

Q1579 **Chair:** How would the user experience be different, do you think? What would you see in terms of the way you interact with the loot boxes you do not see now?

Brad Enright: With a gambling licence, obviously a whole host and raft of regulations come with it around transparency to the player, the fairness of the random. At the moment it is randomly determined, but nobody, as far as I am aware, knows how that operates in practice. A gambling game would have to be independently tested, it would have to go through numerous security checks, so there is a whole raft of gambling legislation that if you were to lift in and put on that would be applied.

The point about transparency to players, because I know this sometimes comes up in the context of what the Chinese have done, it has been suggested to us by some that in terms of addressing some of the concerns that players have, what if we did what the Chinese did and were a bit more transparent and we told them what the odds of getting Messi was or suchlike. In a situation where you have crossed the line into



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gambling, that is not a substitute for a licence. You would have the full raft of gambling licence conditions. You could not say, "We know it is sort of technically gambling, but can we just do this as a sort of halfway house?" It would be you are in or you are out. I guess that is the point we have made when people have suggested that as an alternative solution.

Q1580 Chair: In this scenario where the law had been changed and these were defined as being in scope, the main initial change would be that the mechanism of the loot box would be independently verified to see that it was fair and reasonable?

Brad Enright: Also obviously under-18s would not be able to access the game. That would be the big change, that in the Gambling Commission—

Q1581 Chair: They would not be able to spend money on the loot box, but the mechanism for acquiring players can be triggered through earned credits within the game, not cash value?

Brad Enright: But the recent changes that Neil referenced that we have made to the gambling industry is that you can't even play free-to-play games on a gambling website, so bear in mind that in this hypothetical scenario, EA would be a gambling operator. In reality, it would withdraw all the mechanics. It presumably would not want to be subject to all the rules and regulations.

Q1582 Chair: Indeed, I am sure they would not. On one side, the mechanism will be independently tested and obviously juniors would not be able to use it. Would there be a requirement to give players an indication of what the odds of success are?

Brad Enright: The odds of success, various player protections, so you then bring in all sorts of customer management tools like self-exclusion or timed-out periods, managing the amount of time you are exposed. There are a whole raft of things—

Chair: Identifying problem gambling, yes.

Brad Enright: —identified by a casino that apply in the gambling context. Some of those measures could be adopted by the video games industry voluntarily to address some of the concerns about excessive time, excessive expenditure, but if you are in the gambling regime, you are in.

Q1583 Chair: Yes. Just around what you have described, you can see why this debate comes up, about whether this should be considered to be a form of gambling, because with it comes a whole raft of consumer protection both in terms of the fairness of the game, the odds of success, the chance of success, proactively identifying problematic behaviour, all of which are probably things that many people would think would be a good thing to build in that mechanism, but there is never a requirement for the companies to do it, so it is not there.



Brad Enright: A lot of those requirements could be implemented in the game, presumably short of redefining gambling legislation, be it on a voluntary basis because people recognise and use this inquiry as a bit of a wake-up call or through changing existing consumer law or applying it or even a specific video gaming-style regulator who would be able to tailor its regulation very much to these sort of issues, rather than our focus on online casinos, online betting websites and so on.

Q1584 **Giles Watling:** This is such an amorphous subject and we have gone around the mulberry bush several times. First of all, I will say that my father got me playing poker for matchsticks when I was a very young boy, touching on what Mr Lucas was saying. It was not an issue. He also made very sure that when we started playing for a few pennies that I lost a few pennies so I got an understanding of what gambling meant. I have been a life-long poker player ever since, but I do not think I am addicted to it. I do not think we are in danger of saying, "Gambling bad" and I don't think we want to be saying that, do we?

But what fascinates me is that, as I say, it is very amorphous. What we need is the definition of gambling, we need to absolutely nail it. The dictionary will tell us it is a game of chance that you play for money or monetary value and we have talked about skins and things like that. First of all, would the Gambling Commission have problems if it took on loot boxes? Would there be an issue that you would have to deal with? Is there some sort of hill you would have to climb to be on top of that, because it is a whole area of gaming online?

Neil McArthur: I think there would be a question of scale. If one goes back to the response of the video industry when we put the position paper out in 2015, at that point there was a bit of a sense that the Gambling Commission was making a land grab to regulate the whole of the video industry. That is an enormous market, above and beyond the current licensed gambling market. There is undoubtedly a question of scale. I do think, just picking up a point that Brad made earlier, that one has to think a bit about the unintended consequences of that, of bringing the concerns around the similarities. It is not obvious to me necessarily that the Gambling Commission is the right body to regulate that. That is a matter for others and I certainly think Brad has already explained some of the other options in relation to that.

The other things from my perspective, slightly picking up the point you made a moment ago, one of the challenges that we face as the gambling regulator that would then become even bigger through the scale of it is how do you balance consumer choice and enjoyment against the risks that gambling poses? So 24 million people gamble in the UK; 340,000 of those are classified as problem gamblers and that is far too many. More than 500,000 are at moderate risk of becoming problem gamblers, so they are already, on our assessment, starting to experience some harm from their gambling. That is far too many and that must come down, but you do also have to have a proportionate approach that recognises those



people who are not experiencing harm from this and strike a balance. That is what regulation tries to do because—

Q1585 Giles Watling: Do you see that as your mission then, to take care of those people who might be falling into the realms of problem gambling?

Neil McArthur: If I go back, our statutory duty is to permit gambling, so far as that is reasonably consistent with the licensing objectives. The licensing objectives are keeping crime out of gambling, making sure gambling is fair and open and protecting children and vulnerable people from being harmed and exploited by gambling. We are constantly wrestling with that balancing act, while trying to do everything we can to protect children and vulnerable people from being harmed from gambling, while recognising that history tells us that outright bans do not stop people gambling, that the legislation that we are responsible for enacting tells us to permit it, so far as reasonably consistent.

That balance between consumer choice and the risk is a constant one. Those risks are constantly changing because we look at the risk from the perspective of both the operators providing gambling and the risk they take. We make sure that there are no criminals and only suitable people hold those licences, but then some of the risks are about the person themselves playing and their circumstances and that is important. Some of the risks are about the products that are being played, where some forms of gambling inevitably have a different risk than others, slow games as opposed to fast games.

The other thing is we are constantly wrestling with the challenge of where people play because the risks associated with gambling in premises are different from the risk of playing on your laptop and they are different from the risk of playing on your phone.

Q1586 Giles Watling: Do you frequently find examples of gambling being wrapped up as not being gambling? At the forefront of my mind is examples of people who do not think they are gambling at all, but indeed they are. Those are the people who, for instance, buy lottery tickets every week. That is a gamble, but I know personal examples of people who don't regard that as gambling at all. Do you think there is some sort of insidious thing happening online now that is making people feel as if they are not gambling when in fact they are?

Neil McArthur: I tend to agree, but I think that it is not just online. There are other examples of things that look and feel like gambling that the legislation tells you are not, like some prize competitions, but because of the way the game is structured with free play and free entry and so on they are not gambling, but they are a lot like a lottery. There are products, from time to time new innovations that come along, that we are constantly having to just form that judgment about, where you can see that they have features in common with gambling, but they might have some important differences. That does keep shifting through the prism of the risk.



Q1587 Giles Watling: Is that what you spend a lot of your time doing, analysing what is gambling and what is not?

Neil McArthur: At various points in my career with the Gambling Commission, because I have been with it for quite a few years now, yes, wrestling with the whole question of what is gambling or what is bingo or what is a lottery, it does consume quite a lot of time. Sorry to just delay you for a moment, but the same game, if you take bingo as an example, you could just take your card home, check the results against the results in the paper or online. That would be a lottery. If you are playing the game where the numbers are being drawn sequentially in a social game, that becomes bingo. They are the kind of nuances that, as new developments come along, we are constantly having to reframe and check that our regime is keeping up with developments.

Q1588 Giles Watling: One more question, if I may, Chair. You touched upon an outright ban not being effective. I have limited experience of China, where gambling was banned entirely, but of course what it did was it drove unhealthy gambling underground. For many people it is a bit of a flutter, a bit of fun. Do you think we are in danger of doing that?

Neil McArthur: I do not. I hear from time to time licensed operators saying in their results, "Our results are down because of regulatory pressures" and that is things we are doing. We are watching very carefully to see if that is because players are being displaced from licensed operations to unlicensed operators. We have no intelligence that suggests that to be the case, but we are constantly vigilant about that.

Q1589 Chair: How robust do you think age verification tools are in online gambling?

Neil McArthur: Hopefully a lot more robust as a result of the changes we introduced in May. I think they ought to be really quite effective, because we do require the operators now to use more data points and to verify people before they start gambling. That was undoubtedly a weak spot in the regime prior to those changes.

Q1590 Chair: What powers do you have to audit the work that companies do to make sure that their systems are effective or are at least using technology you would regard as being adequate?

Neil McArthur: First and foremost, you only get a licence from us when you have proved to us you are suitable and we do a lot of work at that stage. Thereafter we have an ongoing assessment process to check that people are still suitable and that they are conducting their businesses in the way we expect. Just for scale, in the last 12 months we did nearly 1,200 compliance assessments of various sorts. We also require our biggest operators to go through corporate evaluations and we did 30 of those. We require their boards to participate in annual assurance statements, which is where the board have to verify how they are addressing social responsibility concerns like, "How you are making sure that you are keeping your players safe?" and so on.



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We have a variety of mechanisms to check that these activities are effective. From time to time they are not and then we will take enforcement action. We took enforcement action last year. We did 160 investigations, so we are pretty active in terms of regulating the industry, but there is always more that can be done.

Q1591 Chair: How concerned are you about proliferation of, if you like, bogus gambling games? There have been reports of games that you can even buy through app stores and that are the games of chance that are just a con, just a rip-off. How much enforcement action do you have to take against these forms of probably unlicensed and inauthentic games?

Neil McArthur: If they are unlicensed and we find out about them, we will do our best to disrupt them and shut them down. That does not always require us to do prosecutions. We have struck up some very good relationships with payment providers and also internet service providers. That helps, but there is always more that can be done to make that more effective.

Q1592 Chair: If it is an app-based game, do the distributors co-operate? If you say to them, "Look, we think this app you are selling or making available is engaged in fraudulent activity and unlicensed gambling" are they responsive when you make those requests?

Neil McArthur: Largely, yes, because they understand the need to be licensed. They do not generally want to be associated with criminality. As I say, when we have found unlicensed websites of various sorts, we have taken action, but there is always more that we can do.

The other thing I would say in relation to that is obviously if you are licensed by us and you are offering those games, we have a fairly rigorous testing regime, where those games have to be tested before they are unleashed on the public.

Q1593 Chair: If you found a game that you were taking action against had videos on YouTube promoting it or telling people how they could play the game and how they could make money out of it, do you have a constructive relationship with companies like YouTube in that regard, where you would say, "We have identified this. We are taking enforcement action against the organisation. We would like you to remove some of the promotional content" whether it has been organically created or paid for by the company itself?

Neil McArthur: Yes is the short answer. If you take FutGalaxy as an example, it was advertising through YouTube. We worked with YouTube to have its material taken down. We have fairly good relationships with Facebook, where people from time to time have tried to set up lotteries through Facebook. We have worked hard to build those relationships because disruption is more effective in the consumer interest because it gets these things shut down more quickly than prosecutions, which inevitably take longer.



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Q1594 Giles Watling: I got so carried away with the other questions, I forgot to ask the questions I was originally going to ask you. Moving on to the fixed-odds betting terminals, we have now had the stake cut. Are you satisfied with the way that is rolling out?

Neil McArthur: I am satisfied that it was implemented and we welcomed the decision. Our advice was that there should be a reduction below £30 and where exactly you settled, you had to take account of the effect that would have on the regulation and so on, so £2 was consistent with that. It is a matter of record that shortly before it came fully into force I wrote to the operators to say we were hearing that there might be some attempts being made to come up with other innovative games that might find a way around this. A couple of operators did try to come with up innovative games and we shut them down within a couple of days by taking action. So far I am not aware of a repetition of that, because I think the message got through.

Q1595 Giles Watling: Can I just understand that, to be clear? You are talking about that people are introducing new machines to get around—

Neil McArthur: No, it was not new machines. It was an offer that would allow you to effectively do over the counter roulette, where you could place a bet. It may have been within the letter, but it was not within the spirit of what was intended through the stake cut and we made our position pretty clear quickly.

Q1596 Giles Watling: Have you had any evidence of new machines coming on to the market at all to try to circumvent this?

Neil McArthur: Not new machines to circumvent it. What I would just say in relation to that is that we have an active engagement process with a number of stakeholders, including, as you would imagine, gambling operators. That includes both the operators offering their goods to the public in shops and the gaming machine manufacturers. We are clear with all of them what our expectations are.

Q1597 Giles Watling: Are you going to do any research on this in the future?

Neil McArthur: We have an ongoing programme of research. Alongside the stake cut there was a range of other actions that we committed to that we are working through linked to that. We are still open to the question of whether there should be tracked play on category B machines. We need more research in relation to that, because what our advice said was, "We can see the case for a stake cut" but you can also see that you can lose a lot of money playing category B3 machines and we are very mindful of that. Also linked to that, at the same time we published our online review because obviously one of the things we were mindful of was the question of player displacement and whether they would move online. We are working our way through our work programme on that.

Q1598 Ian C. Lucas: Can I just take you back to age verification for a moment?



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Could you talk me through the process of an acceptable age verification check by a gambling company? How does that happen?

Brad Enright: Since May, when we strengthened the rules further, no customer is able to gamble or deposit funds before their age has been verified. The largest operators tend to do that seamlessly through the use of Experian and providers who will verify using publicly sourced data like the electoral roll to verify whether the person is over 18.

What was previously the case was that they had a 72-hour window to do that. As we now regulate the whole of the online market and technology has moved on, we just thought that was no longer acceptable. Now basically you can do nothing until they have verified that you are over 18, including the playing the free-to-play games.

Q1599 **Ian C. Lucas:** The reason I ask is because we have had evidence from various social media or games companies about age verification. The evidence that they have given us is that there is not an acceptable system in place for age verification.

Brad Enright: It is one of the real divides in the work we have done in building our understanding of the video games industry, but also things like the social media platforms. That is the fly in the ointment, that they do not have the robust age verification. For example, the social casino games will generally say, "We do not want under-18s. We don't think they play our games; we don't think they are interested" but they have no means of preventing access, even if it is a minority that do want to. That just seems like such a major flaw in so many different things that this Committee and the Government are seeking to do in terms of online harms. That is the elephant in the room, that if you cannot verify that someone is or is not 18, you are relying on a tick box, how are you ever going to have robust controls? The gambling industry has been invoked as an example of the online harms work, of a sector that does this, has always done this and more recently is moving with technology to make it a slicker process. That is the view we have taken.

Q1600 **Ian C. Lucas:** Can I ask about something else entirely? In relation to the globalised nature of the gambling industry now, you have touched on the fact that we have online gambling and we have offline gambling and so on. One of the stories, which I am sure you have seen yourself, which I have become concerned by is the offshoring by a number of UK gambling companies relating to children abroad gambling, sometimes linked to issues Premier League football and issues like that. Is that within your remit or are you constrained by jurisdictional issues? In other words, can you only deal with the effect on young people or children within the UK or can you look at issues outside the UK?

Neil McArthur: There are two angles to that. First, if those facilities for gambling are being offered in reliance on our licence abroad, our rules apply to them. If those activities are not being provided in reliance on our licence we have less control over it, but that is not the end of the story



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because one of the things that raises a question about your suitability is if you are the subject of criminal proceedings or regulatory proceedings abroad, that starts raising a prima facie question about your suitability to hold one of our licences. If it is not being done on our licence, our expectation would be that first and foremost it would be a matter for the local criminal law enforcement agencies to take action first. But everybody is on notice that if you end up being the subject of criminal enforcement and conviction abroad, that flows back to questions about your suitability to hold one of our licences.

Q1601 Ian C. Lucas: Has that happened to date to a UK-licensed gambling company?

Neil McArthur: Yes is the answer, because when the law was changed in 2014 to move to a point of consumption regime, we know that some of the operators who were at that point providing services into Great Britain stopped because they were not sure they would be able to get through our suitability test or they did not want to.

Q1602 Ian C. Lucas: Has anyone been prosecuted in this regard?

Neil McArthur: No.

Brad Enright: A thing to add though as well, there is a requirement on our licensees to report to us any regulatory or criminal investigation and then any sanction that they experience anywhere in the world. As things do shift online you do find increasingly regulators talking to each other. The US is the best example of this at the moment, where clearly a lot of UK companies are looking to get licences in the US. You will find the US state regulators will look to contact the Gambling Commission in order to find out about their compliance record, their key personnel and so on.

As everything is moving increasingly global, you will see more. The recent reports are at the dramatic end of that. I understand the authorities in those countries have taken quite drastic action since those reports surfaced. Not all of them were UK-licensed. Some of them were UK companies, but they did not hold licences in the UK.

Q1603 Chair: Just on a technical point, does anyone making and distributing a gambling game have to have a licence or could I, as a maker, sell it through an aggregator that would be licensed, but not the individual games maker?

Neil McArthur: The regulatory regime here is that everybody in that chain needs to be licensed. If you are manufacturing games, clearly there are possibilities for a programmer doing a bit of work to operate under the umbrella of the licensed entity, but we would expect to be able to trace the licence right the way through that chain. It is not just the business offering it to the consumer, we also licence the business to business suppliers and developers of games and software and gaming machines and their software.



Q1604 Chair: On a different subject—this might be the last subject we raise—we announced on Friday that we intended to hold some evidence sessions later in the year, in the autumn, looking at the relicensing process for the National Lottery. Could you give the Committee today an update as to where you are in that process at the moment and how you see the timetable for that relicensing running out over the next year or so?

Neil McArthur: We have been engaged in a market engagement exercise now since last November. We went to the World Lottery Association event in November to commence the market engagement and talk at that point to existing lottery operators. We have then run a number of events to reach out to both the technology community and media and investors. We have been doing a lot of work to raise interest in the prospect of the competition.

Where we are now is, working back, we expect to commence the formal launch of the competition at the end of March, so that will be the launch of the invitation to apply there. We have been staffing up, so we have been working over the last few months to work through the policy questions that need to be unpicked in the run-up to the competition. There are nine policy questions around how will we assess probity and propriety; how will we approach the question of the National Lottery brand and so on. That is all being distilled down now into an integrated policy position.

For a further round of market engagement over the coming months, we have just appointed a new executive director to lead that work, a guy called John Tanner, who has joined us, having led major projects in HMRC. We will be announcing in the next couple of days that we have appointed lead advisers in Rothchild to help build the engagement that has happened so far through the coming months to make sure that we run the best possible competition that we can.

We are running to a timetable that has the formal launch of the competition at the end of March with a lot of work. It is quite a challenging timescale. We are working very closely with both the market and DCMS already to make that a success.

Q1605 Chair: With market engagement, is that largely limited to existing lottery providers or do you see new entrants potentially bidding?

Neil McArthur: We have deliberately been very clear about the fact that we have cast our net wide, which is why we started at the lotteries event talking to what were largely existing lottery operators. We have been at other events like the telecoms and media events to talk about the prospect and at this stage we are very open-minded. What we are determined to do is run a fair but really good competition process.

Q1606 Chair: Based on the market engagement so far, how would you describe the level of interest?



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Neil McArthur: There was definitely interest there in the events that we ran. We ran an event earlier in the year that was supported by techUK, for example. The turnout there was very good. The response rates to the nine policy areas that we have been asking for feedback about so far, which we will continue to build on, we have had a good level of interest.

Q1607 **Chair:** Among existing lottery providers?

Neil McArthur: It is a mixed economy in terms of people who are interested. It is a mix of existing and potential other interested parties.

Q1608 **Chair:** But from the existing market, realistically how many companies are we talking about that could do it?

Neil McArthur: It is very difficult for me to say. I am not being elusive; I would be happy to write. We have a significant number of people who we think are interested and have been engaging with us. It is difficult to segment in them in the way you have invited me to.

Q1609 **Chair:** For the benefit of the Committee, when we talk about existing lottery providers, that is people that run lotteries around the world of a similar type. How many companies are there like that?

Neil McArthur: There are relatively few. There are probably somewhere between six and 10 companies of that sort, but one of the things we have been clear about is that we can see that there are lots of potential other companies who have the wherewithal to be credible bidders in this process. That is part of the reason that we have bolstered our adviser team, to make sure that we make a success of that.

Q1610 **Chair:** Of those six to 10 companies, what sort of interest is there among those companies to run the lottery here?

Neil McArthur: There is a lot of interest. I have been speaking to their representatives at the meetings we ran and there was real interest.

Q1611 **Chair:** You would expect three, four, five bidders?

Neil McArthur: That is my hope, but that is the piece of work that we need to work through over the coming months.

Q1612 **Chair:** Do you expect Camelot to retender?

Neil McArthur: I don't know.

Chair: You don't know?

Neil McArthur: I think it will depend on the answers to some of the questions that come through. I think it is more likely than not it will, but I am not here to speak for Camelot.

Q1613 **Chair:** No. More likely than not. That is quite interesting—it has run the lottery for a long time—if you think there is a chance it may not retender.



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Neil McArthur: No, I think it is more likely than not, but it has not told me it is definite.

Chair: It has not told you it is a definite?

Neil McArthur: I suspect there are decisions that it needs to make based on the next round of where we end up in relation to—

Q1614 **Chair:** You said it depends on where some of the questions come out. Has it indicated to you that, looking at some of the questions you are posing as part of this consultation, that if it is not satisfied with the output of those questions then it may not bid?

Neil McArthur: Depending on where some of those questions lay, that might make it less attractive for it, but I do not think we will end up there.

Q1615 **Chair:** That is what it has said to you?

Neil McArthur: Yes, that is what it has said. Sorry, I feel like I am being evasive, but I am just trying to be fair to it.

Q1616 **Chair:** That is fine, I understand. Do you consider within your remit in this process to consider the impact of society lotteries on the main lottery draw? One of the differences between this licensing process and previous ones is that it is taking place against a background of declining lottery revenues, which obviously we as a Committee take seriously because we, on the whole, largely scrutinise the work of the people that spend that money. Do you feel that something you should consider as part of this process is the impact that society lotteries have on the main lottery or do you think they are two separate things?

Neil McArthur: They are clearly two things that overlap to an extent. We have given the advice we gave around the recent society lotteries consultation, where our judgment is that that does not infringe on the unique features of the lottery, like life-changing prizes. We think there is a real untapped potential in the National Lottery linked to a lot of work. We are very keen to make sure that the competition dovetails with all the good work that is going on to celebrate the 25th anniversary of the National Lottery.

The judgment we have formed so far is that what is important in the context of the competition is for prospective bidders to understand the environment with as much certainty as possible. Our judgment is that where we have ended up in relation to the society lottery consultation and the action that will follow ought to allow people to form that view.

Q1617 **Chair:** Would it be fair to say that you believe there should be a clear distinction between the National Lottery and other lottery-type games that people might play in terms of the size of the prizes and so on?

Neil McArthur: Yes, I think we are clear that there are features of the National Lottery that are unique, the life-changing prizes, the link that that can then make to the enormous amount of money that goes to good



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causes. We are keen to keep building on the success of the National Lottery, building those links. Through the work that we are doing in the competition I am very keen to engage with stakeholders, including the distributors, to make the most of that. I do think there is a uniqueness about the National Lottery proposition that is important for us to get over.

Chair: Thank you. That concludes our questions today. I am sure we will call you back in November/December to talk about the lottery again at that point when we are holding our evidence sessions. Thank you.