



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 4 February 2020

3.25 pm

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

Evidence Session No. 13

Heard in Public

Questions 127 - 139

Witnesses

I: Kenny Alexander, Chief Executive, GVC; Ulrik Bengtsson, Chief Executive, William Hill; John Coates, Joint Chief Executive, Bet365; Conor Grant, Chief Operating Officer, Sky Betting and Gaming; Dan Taylor, Chief Executive, Paddy Power Betfair; Brigid Simmonds OBE, Chair, Betting and Gaming Council.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Kenny Alexander, Ulrik Bengtsson, John Coates, Conor Grant, Dan Taylor and Brigid Simmonds OBE.

Q127 The Chair: Good afternoon, and a very warm welcome to our witnesses. Thank you for your time today. Here are the formalities. A list of Members' interests relevant to the inquiry has been sent to you and is available. The session is open to the public, is being broadcast on BBC Parliament and is accessible via the parliamentary website. A verbatim transcript of the evidence will be taken 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. After this evidence session, if 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.

For the record, could you introduce yourselves, going from left to right? It would be very helpful to us to understand who owns the businesses that you represent.

Kenny Alexander: I am CEO of GVC. It is a publicly listed company owned by a number of public shareholders.

Ulrik Bengtsson: I am the CEO of William Hill, which is also a public company.

Brigid Simmonds OBE: I am chair of the Betting and Gaming Council. We are an amalgamation of the Remote Gambling Association, the Association of British Bookmakers and the National Casino Forum.

John Coates: I am the joint chief executive of Bet365. I own the business with my sister and the rest of my family.

Conor Grant: I am the chief operating officer of Sky Betting & Gaming. We are a wholly owned subsidiary of the Stars Group, which is listed on the Toronto Stock Exchange. I am a late replacement for the CEO of Sky Betting & Gaming, who has unfortunately been taken ill.

Dan Taylor: I am the chief executive of Paddy Power Betfair, which is a division of Flutter plc, which is listed on the London Stock Exchange.

Q128 The Chair: Thank you very much. I am sure that you know the form: we will share out the questions among ourselves. I get the privilege of asking the first. For the record, and because we have plenty of time and some difficult stuff to get through in the rest of the session, it would be very helpful to give one or two of you the opportunity to tell us what you think the benefits of the sector are for UK plc, consumers, HMT, employment, et cetera. It will be difficult with six of you. I will leave it to you to work out who wants to answer.

Do not feel that you all have to answer every question. If you strongly disagree with what one of the witnesses has said, feel free to chip in, but

we will be here all night if everybody answers every question at length, which tends to happen if we are not in control. Would somebody like to begin?

Kenny Alexander: Our product is a leisure pursuit. For the vast majority of people, it is enjoyable, enhances their watching of sport, is a social experience and enhances their lives. For a very small percentage, which is still a large number of people, it can be damaging and affect them badly. I am here with my colleagues to talk about how we can reduce problem gambling. We are all fully committed to this. In terms of what we offer, we also pay a lot of taxes.

The Chair: Are there any statistics on employment?

Brigid Simmonds OBE: Shall I give those?

The Chair: If you do not have them now, you can send them to us.

Brigid Simmonds OBE: I absolutely have them. They were in our evidence. As an industry, we support and employ more than 106,000 people in this country. We contribute more than £14 billion to the UK economy. Of the 106,000, 56% are women and 24% are under 24. We are a major contributor to horseracing: £350 million. Frankly, horseracing and greyhound racing would probably not exist in this country if that were not the case. We make a contribution to the Treasury of £3.5 billion every year.

The Chair: Would anybody else like to add anything?

Lord Mancroft: Is that for your UK or worldwide businesses?

Brigid Simmonds OBE: That is for our UK businesses.

The Chair: Thank you. That is very helpful.

Lord Layard: I have a question about this being a social activity. Do you have some figures about how much is laid by people in solitary situations, maybe in betting shops but on their own, and when they are engaged in some form of socialising?

Kenny Alexander: I do not have exact numbers. Every company is different, but our average bet is £10.

Lord Layard: What is the total number?

Brigid Simmonds OBE: The total is 46% of the UK population over the age of 18 gamble at least once a month.

Lord Layard: My question was how much money is laid by people on their own, as opposed to what is being said now that it is basically a social activity?

John Coates: I understand the question.

Brigid Simmonds OBE: We will have to write to you. I do not have that information off the top of my head.

Q129 **Lord Watts:** You all signed up to the November 2019 agreement made up of five core gambling principles: protecting and empowering customers, promoting the culture of safer gambling, et cetera. What are your views on the *Guardian* story that the industry is attempting to regulate itself before the Government regulate it?

Brigid Simmonds OBE: I will start. These are not new commitments. We have been working as an industry for the last 18 months. We have now set up the Betting and Gaming Council. We represent 90% of the industry and are determined to work very closely together. We absolutely recognise that, as a sector, we have not been best in class. We are absolutely determined to make big commitments and big actions to make change and make sure that we do not encourage anyone who is vulnerable to bet or gamble in this particular sector.

As we go through the afternoon, I am sure that we will talk about some of the initiatives that we have been involved in. They include giving £10 million to YGAM and GamCare, which is going directly into training teachers or to direct interventions with young people. We are working on three commitments with the Gambling Commission regarding high-value customers, advertising technology and game design. We have to report on these on 31 March. We have 22 actions under the five commitments and we are determined to take them forward.

Ulrik Bengtsson: We recognise that we have not historically done all that we could have. However, the industry as whole has made a huge amount of progress in the last few years. Under the commitment regarding underage gambling, we went out with the whistle-to-whistle ban on advertising, which you might be aware of. This has reduced the number of underaged young people exposed to gambling advertising by over 90%. That is real progress. Having a very collaborative approach with the commission can only benefit this.

John Coates: GamStop is the name we use for the national online self-exclusion scheme. It is an example of the industry working together without regulation, et cetera. To give you a little bit of background, it is a little bit more difficult to do an online self-exclusion scheme cross-company in this country because, in other countries where it is relevant—there are others in Spain, Denmark and Italy, where we are also licensed—they have national ID cards, so it is very easy to match customers. It is a little bit more challenging in the UK. We were given the task of coming up with such a scheme in the UK. We all put seed funding into it, worked together and set up the company. It recently became a licence condition. It is a good example of the industry working together before regulation has come in and that good work being adopted by the Gambling Commission. All licensees are signed up. Already, around 120,000 people have made use of that system and therefore cannot access any UK-licensed site now.

Lord Watts: People who want to can gamble through the UK regulation areas or outside of them.

John Coates: I am afraid so.

Lord Watts: What are the differences between the two and what are the dangers if more people move offshore?

John Coates: You are making a vital point. At the moment, they call it channelling. We are licensed in 15 different countries and, depending on the level of regulation and how open it is, you see different levels of channelling. I am not saying that the Gambling Act does not need a review, but this is one of its successes: channelling has been pretty high in this country, whereas in some other countries, such as Sweden, where we are also licensed—Ulrik can probably speak more about this—it is a lot lower. The problem with that is that if people are using non-licensed sites and the regulation for the licensed operators is not attractive or open enough, you get customers betting in the offshore markets, where they are not subject to the same protections that we would put on them through regulation.

Ulrik Bengtsson: It is an important point. I am Swedish, by the way. Sweden used to have a very strict licence: only 50% of the gambling happened within the licence regime and the other 50% happened with outside or offshore operators, which are not subject to source of funds, age verification or any of the protection mechanisms that we have put in place. In that context, the UK regulation, which broadly keeps 98% of play within the licensed regime, is very successful.

Lord Watts: How easy is it for people to gamble offshore?

Ulrik Bengtsson: You download a VPN app on your phone. From that, you can access a site outside this country within minutes.

Brigid Simmonds OBE: PwC did a study last year that showed that 200,000 people said that they had gambled on unregulated sites online during the last year. One of the challenges for us is that we want to be the best regulated in the world and want to keep those people on sites where we intervene and take actions to try to keep them safe. We do not want them going to unregulated sites. We have had meetings with people who have had problems with gambling who have said that, even when they have gone to GamStop and excluded themselves, there are still activities encouraging them to gamble on these unregulated sites.

The Chair: You remarked about the existence of ID cards helping in other countries. Absent an ID card regime in the UK, is there anything that you think we could recommend that might help you with this issue?

Conor Grant: The Gambling Commission took a very significant step forward on 7 May last year: it imposed a new rule and regulation, which all licensed operators have to adhere to, where a customer has to put their full date of birth and address and be age-verified. From our own perspective, that has increased the ability to identify customers and say

who they are. That is a big step forward for us in age-verifying the customers.

Brigid Simmonds OBE: In terms of recommendations, GDPR is a problem for us, in two ways. When one of these companies stops somebody from gambling on its site, it cannot tell one of the others that it is doing this. This is one of the problems: people open up accounts in other places. There is also a problem in betting shops, where we want to use facial recognition technology. I have already asked DCMS—I saw the Minister last week—whether it would sponsor a round table with the Information Commissioner to try to sort through some of these things. It is absolutely vital that we have further discussions.

Q130 Lord Butler of Brockwell: What are your comments on the differences between regulations on land-based and online betting? Would you say that those differences ought to be diminished, particularly around the level of stakes and prizes, or do you think that no further regulation is needed on online gambling?

Dan Taylor: The key thing for us in thinking about regulation is how we protect our players, ensure that it is affordable for all our players and that they spend only within their means. We do not want any customer to spend to a point where it is unaffordable for them. That is the crux of the question: what are the appropriate stakes to ensure that all customers spend within their means?

There are some important differences between retail and online gambling. In a retail betting shop, betting is largely anonymous: you walk in and tend to bet in cash, and there is no record of who the customer is. In an online environment, we have a significant amount of data. As Conor said, we know all their age data and who they are, as well as their play data. It is incumbent on us—and I think that this is where we need to work with the review to shape the regulation—to ensure that protections are put in for players so that they bet in a way that is affordable for them, and that we use the data that we have as operators in a consistent and coherent way to protect those players. For me, stakes are one tool, but the crux is that we use the data and the vast amount of information that we have on play to protect players and ensure that they have an enjoyable experience, not one where they spend beyond their means.

Lord Butler of Brockwell: I think you said that you cannot share the data with other companies. If you take any individual, how can you form a judgment about whether they are near their limit?

Dan Taylor: You are correct. As individual operators, we can look at the play only within the brands or sites that we operate. You are right in saying that that does not necessarily give the full picture. This is one of the questions for the review to think about: how do we ensure that we have a joined-up picture of affordability in a coherent way across the space that stops people spending beyond their means?

Brigid Simmonds OBE: We can make people think about it. I have sat next to people intervening with customers. When they did not answer the phone, they put a stop on their account until they made contact. When they did answer, they talked through setting deposit limits—which is an important part of it—and whether they understood how GamStop works. You have these active interventions. You can do this online because you have the data. We work with TransUnion and Experian to make sure that we have data about people. Ultimately, we will ask them to produce payslips or whatever to be absolutely clear that they have the ability to gamble in that way.

Kenny Alexander: For example, there is a £2 limit on the FOBT machines. There is not a black market for playing these, but if you were to apply that limit online you would transfer a lot of potentially vulnerable players to offshore sites, where they cannot be protected, as we have already said. That is very dangerous. I do not think that stake limits are the way to go. I repeat what Dan said: the way to go is affordability and to ensure that, when people come to our sites, they can only afford to lose or bet an amount that, quite frankly, they can afford and are comfortable with.

At the same time, we need to get around this issue about sharing data. For example, if somebody is allowed to lose only £200, he should not be spending £200 with me, £200 with Ulrik and £200 with John. We need to get around this issue. There are working parties looking at it. I do not think that stake limits are the way to go. It is all about introducing rigid affordability testing and making sure that we can share data across all operators so that it cannot be abused.

The Chair: Mr Coates, were you trying to come in there?

John Coates: I do not want to cut across the next question, but it is semi-related to one of the very good points that Lord Butler made.

Lord Butler of Brockwell: May I finish up on this one? You mentioned working parties. Which are these? Are they with the Government on GDPR?

Brigid Simmonds OBE: No. The 22 commitments have working parties that the industry has set up. Some work directly with the Gambling Commission and we are working on some internally. We have made approaches the Information Commissioner about GDPR—through the Gambling Commission too. However, I think we need more of a push to have further and deeper conversations.

Lord Butler of Brockwell: What response have you had?

Brigid Simmonds OBE: To be honest, we have not had much. The difficulty in all these things is testing. They say that you might be able to do this and that, but you are not going to know whether they or the individual customer will complain to the Information Commissioner until

you try it. We are in difficult areas here. Protections are quite rightly in place as far as privacy is concerned, but we want to keep people safe.

Lord Butler of Brockwell: Can you learn any lessons from international comparisons of the regulation of online gambling?

Ulrik Bengtsson: I think so. I was previously the chief executive of Betsson Group, which is a Scandinavian, pan-European operator. I spent a lot of time working in various jurisdictions across Europe. When we do prohibition and significantly reduce the experience of the product, it pushes players offshore. I take the example of Sweden again, where the monopoly was not allowed to offer casino products and 50% of the market was with operators outside that jurisdiction. That has changed—they opened up and brought some of it back—but 15% is still outside that jurisdiction purely because they choose to implement deposit limits. Again, this made the experience much worse than what the offshore players could offer. You always have to balance player safety measures with the risk of pushing people outside the jurisdiction.

Lord Butler of Brockwell: Are there any regulations on online gambling that you as an industry would like to see? Are there any changes that you want us to think about?

Kenny Alexander: We could potentially jump on to a future question. Some things are definitely worth considering. Affordability is absolutely crucial. Is the industry too much in the consumer's face at the moment? Is there too much TV advertising, sponsorship, et cetera? If you watch sporting events, are Ladbrokes Coral, 365 and Hill too much in the face of consumers? That is undoubtedly the case, and I feel that it should be looked at. VIP programmes is another area: are they too aggressive and potentially encouraging the wrong type of behaviour? They are being looked at and I am happy to talk more about them. These are a couple of areas. There are probably too many gambling adverts and too much noise about gambling in front of consumers in the UK at the moment.

Dan Taylor: There are things that we crave. The gambling Bill was written 15 years ago, and the world has changed from when that was passed. The online market would not have been recognised 15 years ago. It is right to review it and to reflect the changes in the way that the world has moved on. As large licensed operators in the UK, we crave clarity and a level playing field in which we can operate in this market. I absolutely recognise failings in the past where we have not protected players enough. As well as rules and regulations that ensure that all operators have to protect players in a consistent way and allow them to operate in a licensed way, and for the vast majority who enjoy gambling to enjoy it, we would look for clarity around affordability. The respectable operators and customers would benefit from this.

The Lord Bishop of St Albans: Can I push you a little bit? I am grateful for the point you make about the whole industry having gone online. It is rapidly moving in that direction and we are concerned about the area. Part of the question here is about the equalisation of retail and online

gambling. The discussions have been about speed, spin and stake. I think you said that you did not want a maximum stake. Is that right?

Kenny Alexander: I do not think it is a good idea to put the stake limits that have been put on the FOBTs in place online.

The Lord Bishop of St Albans: You want no stake limit at all?

Brigid Simmonds OBE: We expect that to come out of the review of the Gambling Act, which we know that the Government are looking at now and are likely to announce fairly soon. We need to look at this from a holistic point of view, because there are other players in this. The banks have a very important role to play. Most banks now let you exclude gambling from your ordinary bank account. However, when they have information about people who may be borrowing money and using it on gambling, we need the banks to work closely with us too.

We have problems with some online companies, such as Google. If you search for GamStop, you can find unregulated affiliates who are not regulated in the UK and are trying to encourage people to gamble. Do we need a licensing system for affiliates, rather than the standards that these companies are setting with their individual affiliates? One of the problems with this is that legislation can be inflexible. Somebody's affordability will be different from somebody else's. Working with people as individuals may be a better way forward than having set legislation in this area, but we are very much open to the review and having those discussions.

Conor Grant: Can I come back to your point? We are here today because we are fully committed to making a difference and reducing harm and disordered gambling. We have to consider everything in its totality. In response to your question, it needs to be considered as part of any review. Stake limits are in the mix along with affordability and advertising. These are key areas that we need to review to reduce harm. That is why we are here today.

The Lord Bishop of St Albans: Clearly, some of this will relate to the work going on here in Parliament on online harms. I totally take the point that we need to get some joined-up work there. To confirm, do you not want any definition of the stakes?

John Coates: I think that what is being said is that we have to be mindful that we have other methodologies regarding what we can do with customers in the online space to spot markers of harm, et cetera. There is an important distinction between the online and offline worlds. We also have to be mindful that, if we make any regulation too inflexible, we have that very real channelling risk of pushing people to offshore sites. We absolutely recognise the issues at large here. We need to be careful of unintended consequences of various things.

The Lord Bishop of St Albans: Could I ask a very short question as well? Our remit is the social and economic impact of what we are doing.

If the Committee were minded to recommend some sort of limit, supposing that there were a £3 or £4 stake limit, would you be able to assess the impact that that would have on you, now or in writing?

Brigid Simmonds OBE: Frankly, we would probably have to do a proper economic study to look at those sorts of things. We would have to look at the effect of pushing people to sites that were not based here because they wanted to stake more—and more quickly—as well as the effect on individual companies. We could do that but it would take a little while.

Baroness Armstrong of Hill Top: I will be very quick. One of the things that has happened with much more online gambling is that many more women playing on their own have been drawn in. That is certainly the impression of those of us who work with vulnerable women in particular. It adds to their vulnerability in relationships too. Do you ever think about this? Do you have any ways to measure and understand that, and work with organisations to help those people in particular?

Brigid Simmonds OBE: We absolutely can. Obviously, we work with GamCare, which is the major charity dealing with this, and with all sorts of third parties in this area. Some of this has to be around education. I also think that we have to talk about this more. I have come from the alcohol industry. For a long time, we have talked to our sons and daughters when they have gone off to university about how much they drink, but people seem to whisper about gambling. This is some of the intervention now being done. We ran a campaign before Christmas on knowing your limits, encouraging people to set deposit limits. In this country, because it is a relatively new industry, we have not been doing some of the work of explaining to children at a much younger age, as part of PSHE, about the risks of winning and losing and about setting their own limits.

Just as we have women who drink alone, we are beginning to have more of a problem around gambling. We need to make sure that that information is getting out there and that we play our parts. We are now doing advertisements on that sort of thing—there is a very good one on knowing your limits. It is very much a work in progress.

The Chair: There are two purposes to advertising: one is to increase your market share, and the other is to increase the market size as a totality. Which is your priority in advertising? Is it a brand exercise? Is Paddy Power looking to take shares from William Hill and Bet365 looking to take shares from somebody else?

Dan Taylor: It is hard to distinguish, but I would guess that the majority of advertising is there to compete with others for share of wallets and for customers across the sector. That is the reality in what is a highly competitive industry in the UK in which most customers will have relationships with multiple advertisers. Much of it is about competing for a share.

The Chair: If advertising were banned—I am making this up for the

purposes of the conversation—do you think that the market would shrink?

Kenny Alexander: It would undoubtedly shrink to some degree.

John Coates: You also have that law of unintended consequence. If you take away licensed operators' ability to advertise, you run the risk of the channelling effect and the benefit that that company has of showing that it is a licensed UK brand being diminished.

Brigid Simmonds OBE: If you look at the whistle-to-whistle ban, we have seen an 85% decrease in television advertising. It is five minutes before and after all sport—not just football. We have already seen a huge decrease. You may argue that some of that has moved to online advertisements, but you have the ability to not accept cookies and say that you are not interested in that sort of advertising online. We have already made steps in that direction and may well need to do more. We are absolutely open to that.

Conor Grant: May I make a very quick point?

The Chair: Yes, you may, very quickly.

Conor Grant: Advertising can be used as a positive force as well. My own company has done that: we have put responsible gambling messages as part of the TV campaigns, encouraging customers to set limits. We have seen very significant uptake in customers setting deposit limits as a result of this campaign. We should be mindful that advertising can be a force for good in this market.

Q131 **Lord Foster of Bath:** I think that there is sufficient evidence for all of us, including you, to accept that you have not protected and kept safe all your customers. You have accepted that you have not necessarily been best in class and that you are keen to make big commitments and changes. Bearing all that in mind, and the vast amount of data that you have, notwithstanding the GDPR problem, you have suggested that you want a concerted way of protecting players. Can you outline what you are recommending should now happen and whether it should be done voluntarily or through the licence conditions and regulations?

John Coates: I will start with what we are doing with data in this field; I know that the question was broader. Everybody in the industry recognised that there had been past failings. Over the last four or five years, we have worked on a system using the data, and I know others along the table have worked on theirs. I will tell you a bit about ours and we can broaden it out from there.

One of things that we answered was that, because it is account-based, we have access to a huge range of data on our customers. I realise that it is not everything—that is a good point from Lord Foster. However, if you look at our systems, they are based around what we call markers of harm. We and others have identified more than 20 markers, which include observing that there has been an increase in the number of

deposits, in gambling activity, in deposit and bet frequency, and in failed deposits. There is a raft of markers.

The challenge is to interact with the customers, which might start off simply by making the customer aware: "Are you aware that you have exhibited this behaviour?" In many circumstances, that can be enough. However, if we assess a greater risk of behaviour, it can result in telephone calls, the customer having to fill out a gambling self-assessment form and, ultimately, account closure.

I will give you a few stats on the effect of that, because that might be helpful. We interacted with about 10% of our user base last year using this system, and those customers were five times more likely to then set or decrease deposit limits, leading to us having roughly 50% of our customers having set deposit limits, which I think is a good thing. Approximately 76% of customers who received an on-site message reduced the activity in that particular area going forward. That figure rose to 85% where we thought that the risk was great enough that they had to fill out a self-assessment questionnaire. If the behaviour continued, we absolutely looked to close their account.

The Chair: The assumption underlying that response is that they have only one account.

John Coates: That is correct. You can still observe the behaviour on a subset of their play. It is true that you would have an even better overview.

Lord Foster of Bath: With respect, the gambling triggers that you are describing were recommended by the Gambling Commission in 2018. Currently, not all gambling companies are following the approach that you describe. We have so much evidence: people have spent over £3 million before having affordability checks, people working on nine different accounts spent £440,000 and only one of the companies asked for affordability checks, and so on. There is a lot of evidence out there, and I am sure that you are not disputing it. You have described triggers that you operate. We are interested in whether what you are doing should be mandatory through the licence procedure or be taken further, and what you are committed to doing. We are grateful to hear what you have done, but it is clearly not enough.

Dan Taylor: We have a similar system to John's. However, I absolutely share your concern and recognise that operators out there are not necessarily implementing it in the way that we are. One of the questions for the review should be to ensure that, going forward, there are consistent and, if possible, shared approaches across the industry to protect players in a coherent way. You are absolutely right: we are only as good as the lowest common denominator if we do not do that in a consistent way. I would welcome clarity and consistency of approach to player protection and affordability going forward.

Brigid Simmonds OBE: We have these 16 trials of affordability going on around the country. If, at the end of the day, in working with the Gambling Commission, we think that it should be an LCCP requirement for operators, it absolutely should be. Kenny, would you like to pick up the question about the customer who did not have affordability checks?

Kenny Alexander: You mentioned the £3 million case. I have followed the evidence sessions and was as shocked to hear about that case as everyone in this Room undoubtedly was. It happened before GVC acquired Ladbrokes Coral, but it still happened. I am not here to defend it. There were controls and procedures in place at Ladbrokes Coral at that time to prevent it, but they failed—badly. I can tell you why. Ladbrokes Coral used open-source information to judge how much that customer could spend. It was interpreted badly.

As I said, I am not here to defend that case. It is shocking. However, since GVC bought Ladbrokes Coral, we have invested heavily in people: we have 126 people in responsible gaming, materially more than Ladbrokes Coral had. We have similar procedures and controls in place to those that some of my colleagues have already mentioned. Compared to back then, it is like night and day. I can absolutely guarantee that what happened to that customer, which was totally unacceptable, cannot happen today within GVC or within the Ladbrokes Coral business.

The Chair: Before Lord Foster comes back, are any of your employees given bonuses based directly on getting groups of members or customers to increase their betting?

Dan Taylor: For us, the answer is no. We removed any link between remuneration and player spend last year. All staff in our company, including myself, are now given bonuses based on a metric around player protection—reducing spend from any customers who we think are at risk. We have introduced that as a core thing. Rather than rewarding for player spend, we have brought in the opposite.

The Chair: May I ask each of you?

Conor Grant: We have had that at Sky Betting & Gaming for two years, as part of the CEO bonus. Throughout the entire organisation, everyone is committed to safer gambling.

The Chair: Mr Coates, what is your response?

John Coates: I will have come back to you on that.

The Chair: That is not a problem.

Ulrik Bengtsson: At William Hill, we are measured on sustainability and responsible gambling measures, but there are people in the organisation who are measured on revenue.

Kenny Alexander: Our employees' bonuses are based on responsible gaming measures, plus some on EBITDA targets.¹

The Chair: I was not specifically thinking of EBITDA targets for the group—there is no direct relationship between the quotes to the salesman and the customer.

Kenny Alexander: I totally get you. Going back to the £3 million case, this would be one of the failings: I was not in the business at the time, but I can pretty much guarantee that the VIP manager of that customer was incentivised. Not all VIP managers are now. There were many feelings around that incident, but that was one of them.

John Coates: I now understand the question. We would not bonus in that way.

Lord Foster of Bath: I have one final question. You have a lot of data and—obviously and understandably—constantly innovate and bring in new games for your customers. Can any of you give any examples of where you have introduced a new game and used the data to conclude that it is not particularly safe and therefore withdrawn it?

Brigid Simmonds OBE: That work is going on now with the game design group, which is looking specifically at that question. We will be held to account by the Gambling Commission if we do not come up with something that makes sure that that is changed.

Conor Grant: At Sky Betting & Gaming, a feature was recently brought out on a lot of games where you could buy the bonus. We did not put this feature live, not due to data but fundamentally due to concerns about the mechanic of the game. We were subsequently vindicated with that decision and the Gambling Commission banned the buy-out feature. I think that, as a large recreational business, that was the right decision to protect our customers.

Lord Foster of Bath: As an aside, you appear to be suggesting—and perhaps others may share the view—that the Gambling Commission appears to largely be playing catch-up in this area at the moment instead of perhaps being more up front with introducing new stuff.

Brigid Simmonds OBE: It is partly the coming together of the industry, setting up the Betting and Gaming Council and having one group to deal with instead of individual companies. It is absolutely vital that we work closely with the Gambling Commission. On the other hand, it is also a regulator, and it is important that there is an arm's length as well. It is holding us to account, but we are also doing our own work in all these areas.

The Chair: Many years ago, I was chair of Camelot, which I think still exists today. It has to get all its products approved by the regulator before it can put them into the market. That does not apply to you, does it?

¹ Note by witness: Employee bonuses are based on EBITDA targets with responsible gaming measures as one of several additional factors considered by the Remuneration Committee.

Conor Grant: It applies to us as well. We go through testing houses and authentication of the return to player. They are then certified by the Gambling Commission.

Q132 **Lord Smith of Hindhead:** For the record, I know Brigid through her many years with the British Beer and Pub Association. In fact, I am surprised that everybody does not know her. If I may, I would like to ask a question relating to the use of data management, specifically in relation to affiliates or tipsters posing as them. For those on the Committee who may not be aware, this is where someone is paid by a gaming company to recruit people to sign up. They are paid an initial fee and get a cut from losses. Through social media, you end up getting tips from someone who will benefit personally if you lose a bet. That will last for the lifetime of the betting account. Are you concerned that such affiliates are not required to comply with things such as the watershed, and can circumvent self-exclusion and other obligations owed by the gambling operator to customers? If any of you use affiliates, how can you justify using third parties to drive customers to your companies, mainly through social media such as Twitter or Facebook?

Dan Taylor: I am happy to answer that. I speak on behalf of our business. We have a small number of affiliate partners. We have reduced that by about 50% in the last 12 months.

Lord Smith of Hindhead: Why?

Dan Taylor: We operate a "one strike and you're out" policy. This means that, if we see any activity that is not consistent with our approach to social responsibility, we terminate our relationship with them.

Lord Smith of Hindhead: Up to 12 months ago, 50% of all the affiliates that you used have fallen by the wayside because you do not approve of the way that they operate?

Dan Taylor: That is correct. Going forward, I would welcome a licensing regime for affiliates to ensure that they are held to the highest possible standards.

Lord Smith of Hindhead: Who would do that licensing?

Dan Taylor: I would expect it to come through the Gambling Commission and to be regulated as any other part of the industry would be. It is a hole that should potentially be looked at as a welcome part of this review.

Conor Grant: At Sky Betting & Gaming, we closed our affiliate scheme in 2017 because we were equally concerned. Since then, we have signed 16 larger media partners, as we call them. Fundamentally, we are still responsible for the customer: the terms and conditions, licence and regulation are ours. We have very strict agreements. These are not small affiliates in any shape or form but multimillion-pound businesses. In the digital age, we are building relationships.

Lord Smith of Hindhead: So you use affiliates?

Conor Grant: We have 16 media partners.

Lord Smith of Hindhead: You call them media partners, but do they effectively do exactly the same thing? In driving customers to your company to sign up, for which they are paid, it is exactly the same. You have changed the name, but they do the same.

Conor Grant: We have also changed the way we remunerate them. We do not do lifetime revenue losses anymore. We do it on a CPA fixed basis.

Lord Smith of Hindhead: Could you explain what that means?

Conor Grant: Historically, if you joined the site and lost £100, the affiliate would have had a cutback of that. Today, the media partner gets a fixed fee and no further revenue as a result.

Lord Smith of Hindhead: They get one fixed fee for signing up, rather than a continual stream of income throughout the lifetime?

Conor Grant: Yes. That was a big change that we wanted to implement.

Lord Smith of Hindhead: What about the ones pre-2017? Do you still pay them?

Conor Grant: We have terminated their agreements and moved on.²

Lord Smith of Hindhead: Mr Coates?

John Coates: I very much concur with Dan's original comments. We are in a similar position. We have a very strictly controlled affiliate system and monitor the sites that we have very carefully to ensure that they are above board and operate absolutely properly.

Lord Smith of Hindhead: Is your answer that you still use affiliates?

John Coates: Yes.

The Chair: How are they incentivised?

John Coates: A mixture of revenue—

Lord Smith of Hindhead: Losses?

John Coates: Yes.

Lord Smith of Hindhead: So is it exactly the same, in that somebody is using social media, without the watershed or the regulations that apply to you, to drive customers to your company, where they get an initial fee and an ongoing fee every time that customer loses a bet?

² Note by witness: We have terminated all but a very small number of agreements, which we were unable to terminate for legal reasons, and which continue for existing customers only, not new customers.

John Coates: I would have to come back to you about social media. I think that we closed down any tipsters on social media.

The Chair: Perhaps you could clear that up for us.

Lord Smith of Hindhead: It is quite a crucial thing, is it not? You can understand why those people with concerns about the gambling industry are really concerned that young people on social media—where they operate a lot—get bombarded outside the watershed by people who are recommending that they bet on this or say, “I’m going to bet on that and I think you should as well”, whose motivation and incentive is that they themselves will make money if the person placing the bet loses money. All the regulations that you imposed on yourself are somehow circumvented through the affiliate system.

Brigid Simmonds OBE: The affiliates would not be licensed to these individual companies. Unfortunately, most are unregulated, which is probably why we need a code for them to work at all in the UK. It is really difficult. I had a discussion with someone who has had a problem with gambling in the past who said that, despite the fact that he is signed up to GamStop and excluded from everything, he is still being bombarded but from places such as Curaçao on the other side of the world.

The Chair: If the affiliate is not working for a licensed operator, how do they get paid?

Brigid Simmonds OBE: They do it through trying to encourage people to use sites that are not in this country.

The Chair: I see.

Lord Smith of Hindhead: We understand that there are affiliates operating who are not connected with any UK company. We are interested in how the affiliate system works here and how that might be regulated. What about William Hill?

Ulrik Bengtsson: To pull back a little bit, not all affiliates are necessarily related to social media. Most of the qualified affiliates these days are real, professional content providers: in the same way that you would use Booking.com to book your hotel, many of our players would use Oddschecker to check the best odds and prices for the time being. The vast majority of qualified affiliates today are like this.

At William Hill, we have historically had problems with affiliates. We have really cleaned up and started to enforce all our agreements much more forcefully. In our agreement, it states very clearly what they can and cannot do. However, when you have a big volume, it has been historically hard for us to follow up on that. We closed many of them down, but we still use affiliates.

Lord Smith of Hindhead: You still operate that. Do the affiliates who work with you still benefit if the players playing with you—who they have introduced or have ongoing relationships with—lose?

Ulrik Bengtsson: There is a mix of what we will refer to here as cost per acquisition—one-off—and ongoing revenues. There are no lifetime revenue deals as you suggested before.

Lord Smith of Hindhead: May I ask the question again? When players play with William Hill who are connected through an affiliate, does the affiliate benefit if the player loses a bet—yes or no?

Ulrik Bengtsson: For a time, yes—some of them, but not all.

Lord Smith of Hindhead: What about you, Mr Alexander?

Kenny Alexander: It will be a similar answer. We use affiliates. They are a very small part of our business. If you went back five years, it would be much bigger. There is still an issue with affiliates. We have a small number with strict terms and conditions. We monitor them, and we get rid of them if they do not adhere to the terms and conditions. Should they be licensed by the Gambling Commission? Absolutely—they should be under the same sort of controls and regulations as operators. I do not think that it is as big a problem as it was. How do we pay the affiliates? We pay them like most of the rest of the operators: we have CPAs and revenue shares.

Lord Smith of Hindhead: Do you think that it is worth while for this Committee to look into making a recommendation that affiliates should be regulated or stopped?

Kenny Alexander: Yes.

Brigid Simmonds OBE: Social media and tech platforms work with the industry to try to enforce that.

Lord Smith of Hindhead: That is a crucial point.

Brigid Simmonds OBE: Absolutely.

The Chair: Thank you. Talking to my colleagues as much as our guests, could we pick up the pace? We still have quite a long agenda to get through. Lord Bishop.

Q133 **The Lord Bishop of St Albans:** Let us return to the question of advertising. In April 2019, the ASA found that some gambling operators were targeting their gambling offers specifically at under-18s. I noticed that, Ms Simmonds, you were quoted back in 2004 as saying that you were horrified when you used websites aimed at children and were offered opportunities to gamble. That was certainly still happening last year. Has it stopped now?

Brigid Simmonds OBE: Nothing is more important to the gambling industry at the moment than not targeting those under the age of 18.

The Lord Bishop of St Albans: Has it stopped now?

Brigid Simmonds OBE: I would absolutely say that it has stopped now. We have been required since May last year to make sure that we verify everybody's age. The story that very unfortunately appeared in the *Sunday Times* that suggested that we were using a database owned by the Department for Education was, frankly, totally untrue. All we got was a match or no match. There was no suggestion that we could use that for marketing, and we would not.

The Lord Bishop of St Albans: Thank you very much. I think that that answer is specifically about your products. More generally, we have heard a lot about the whistle-to-whistle ban, which I am very glad has come in. I am not quite sure how this portrayed, but it seems that there is a difference being made between advertising and marketing. We still have logos on shirts and wrap-around adverts. The research shows that, whereas teenagers cannot typically name the big tobacco companies in the way that they could have 20 years ago, they can name all the major gambling companies—all yours, I suspect. They can reel them off if you ask them when you enter a school, as I sometimes do. Are you actively considering banning logos from football shirts and wrap-around adverts?

Brigid Simmonds OBE: We are certainly looking at the whole issue of sponsorship. As one of us said earlier, there are good messages: all the sponsorship that goes with clubs is about putting responsible messaging on shirts, as well as the name. We can consider this going forward. We are active in considering it. As someone who has worked a lot in sport in the last 30 years or so, grass-roots sports benefit from a lot of the money put into sport. We want that sponsorship to be used responsibly. You have already heard people talk about how we go out into clubs now and work to make sure that players and coaches understand the rules of the governing body. Is it causing an issue with young people? For example, we have rules around shirts without the name on being sold to anyone who is or looks under the age of 18. Individual companies around this table will have different views. Kenny, would you like to start on that?

Kenny Alexander: We have ended all our shirt sponsorship and perimeter advertising. My view on it is this: what is the difference between an advert 10 minutes before a game and gambling ads whistling all around the park when most people are watching the game? We have ended it. As I said earlier, I think that gaming companies' adverts are too much in the face of consumers. Perimeter adverts, shirt sponsorship and TV advertising are areas where I feel that it needs to be seriously curtailed.

Conor Grant: We hear your concerns about advertising and the visibility of gambling brands. We have sponsored the EFL—the English Football League—for seven years. As we said at the outset of this meeting, it is about understanding the social impact. We put a lot of money back into grass-roots and lower-league football in this country. I am a father of three boys, who are 12, 10 and nine. I regularly take them to football and I think a lot about advertising. Fundamentally, when I step back from it, we as a business are licensed and regulated. It is important that we

have the opportunity to advertise as a business and that we do that responsibly. The tone and the frequency are all up for discussion. We welcome the review happening at the moment. It is very important.

The Lord Bishop of St Albans: A piece of research by a university suggests that you look at logos, adverts or names of companies 85% of the time during a football match. Do any of you have concerns about this?

Conor Grant: That is obviously a concern. If I look at what we do with the English Football League, we use 70% of the available inventory to relay safer gambling messaging—on shirts, stadia boards and hoardings. We have to think about how we can turn this into a positive. We all agree that we have to look at the tonality, how we advertise, and the frequency, but I think that there are positive benefits here.

The Lord Bishop of St Albans: Would any of you accept the point that some people are making that one of the adverts, “When the Fun Stops, Stop”—which I think is now being used less frequently—is effectively an advert, because “fun” is flashing, not “stop”? It’s fun, fun, fun.

Brigid Simmonds OBE: We are stopping using that. We recognise the criticism that was levelled at us and we will not be using it in future. We work very much with GambleAware on its Bet Regret campaign. In fact, we fund the advertisement campaign: £7 million this year will be put forward on that. It is important that we do that. John, as you own a football club, would you like to talk about Stoke?

John Coates: I would rather not talk about Stoke.

The Lord Bishop of St Albans: As a former Archdeacon of Stoke, I will talk to you at some point. That is another discussion.

Baroness Armstrong of Hill Top: It is also very clear that putting gambling money into football clubs does not necessarily bring good success. I say that as a Sunderland supporter.

John Coates: In my defence, we have owned the club for 12 years and had 10 good years. Unfortunately, the last two have been really bad. I can only apologise.

The Chair: As a Charlton Athletic supporter, I share your pain.

John Coates: I hear the concerns about the amount of advertising around perimeters and on shirts. I genuinely believe that some of the stuff that we have done at Stoke has been good. I can point to two aspects of the sponsorship agreement. Part of the money has to be used to provide free coach travel to every away game for every supporter. One of the stipulations is that season tickets are kept at the same level, and they have been for the last 12 years now. However, I also hear the concerns about the amount of advertising around perimeters and on shirts. We welcome the review and talking to you about it.

Lord Watts: How much money goes into sport, and what would the implications be if that money were withdrawn overnight?

John Coates: I know what the finances of Stoke City are like. Frankly, it survives because of the money that we put into it. There is a real issue there, but it is about balancing everything and trying to come up with the right outcome.

Brigid Simmonds OBE: In the Premier League, there are eight clubs sponsored by gambling companies. Only one is a member of the Betting and Gaming Council. The rest are not interested in the UK market; they are looking at advertising in overseas markets. I am speaking to the chief executive of the Football Association tomorrow.

The Chair: But you need to talk to the Premier League.

Brigid Simmonds OBE: We do but we also need to talk to sport generally, along with the Gambling Commission, about people with UK licences but who are not really interested in a UK presence. That is one of the things that we need to discuss.

The Chair: That would be a question for the Premier League, and maybe the Football Association for the England national team, about it having a regime where they do a bit more due diligence on who it accepts as a betting sponsor.

Brigid Simmonds OBE: Yes, it would.

Q134 **Baroness Armstrong of Hill Top:** I was meant to be asking the next question about football, but they have nearly all been asked already. My specific question was about the stuff that we had the questions about around a month ago, about how you can get free streaming of the FA Cup if you put a bet on before it and so on. I will watch Liverpool playing Shrewsbury tonight. To say that I will not think at the end of that match that it has been totally involved in betting companies is a bit naive. My anxiety—and this is where I have a go at Conor—is that this is as much about girls who are now fanatical about football. I grew up from that, though I am far from being a girl any more. The whole weekend, we did nothing but football. That was partly the Northern Football League, which was real non-league football, and partly Sunderland. I think one of your companies used to sponsor Sunderland, but never mind—I will not blame you for the state that we are in now.

When I go to matches now and nip into the fan zone, little kids think that betting is just part of the game, part of what goes on. It defines football far too much for them: “Who’s going to be the first scorer?” They start talking about odds. I did not understand what odds were when I was their age. That is my concern. Brigid, you talked about the percentage of people in this country who bet. Has sport become so important because you think that that is the real way that you can hook people in early enough that they will enjoy gambling for the rest of their lives?

Brigid Simmonds OBE: When I ran Business in Sport and Leisure from 1992, we had a KPMG study done in 1997 on the economics of gambling. It found that 27% of the population felt that betting on a football match when they went was more important than watching it. I admit that I have been a director of Leicester City Football Club. Leicester is my hometown. They were not doing quite as well when I was on the board as they are doing now, but I know the amount of work that they are doing locally in their communities. We have to separate sponsorship from sports rights, because I think that the two issues are really very different. This was not an issue with the Football Association or one of our making. The companies had the rights but did not buy exclusivity. As soon as we realised that that was the case, we absolutely gave up the right for it to be exclusive.

Horseracing has been betting shops since 1987 and is now shown online. You do not want to say to people that they can watch the match only if they open an account. We were absolutely clear that that was not the case. At the other end of the scale, you have to think about the cost of showing these matches when only very few people want to see them.

Q135 **Lord Parkinson of Whitley Bay:** I would like to go back to the self-exclusion schemes that we touched on a bit earlier. The Committee has previously heard from groups of individuals who have suffered from gambling problems and gambling-related harms. They were all very clear that the self-exclusion schemes do not work very well. We have talked about the problems of sharing data between companies under GDPR, but some of the individuals mentioned that they had notified companies about their concerns that they were experiencing gambling problems and heard from that same company or one of its subsidiaries again. Are you all happy that the self-exclusion schemes are working well internally in your companies?

Brigid Simmonds OBE: John talked about GamStop, which was seed-funded by the industry. It has now become a condition of the Gambling Commission that everyone will have to abide by it. From 1 April, you will have to put all your data through GamStop every 24 hours. All companies licensed in the UK will be required to do that. We should end up in the position that, if you exclude, you are excluded, full stop.

Lord Parkinson of Whitley Bay: Will that help to solve the GDPR issue that you mentioned earlier? Will you be able to take control?

Brigid Simmonds OBE: It will help with self-exclusion because of how GamStop works. At the moment, we also have separate schemes—SENSE in casinos and MOSES in betting shops. Ultimately, we would like to see one scheme, but it is about how we move the technology on so that it is all the time. There are a few GDPR issues, particularly around facial recognition if that is how you are going to make it work in a betting shop. However, I think that we can move it on and we absolutely support GamStop as an industry. I have had several meetings with them already.

The Chair: So that we do not get the wrong end of the stick, what is the

issue with facial recognition?

Brigid Simmonds OBE: The issue is whether you show only the customer or if there is anyone else in shot in the background. That is really difficult to do in a betting shop.

The Chair: How do you solve that?

Brigid Simmonds OBE: It is about what the Information Commissioner will allow us to do with that facial recognition and who you can take photos of.

Q136 **Baroness Thornhill:** This is an opportunity to get under the skin of the VIP issue. Call me naive—I was not aware of it and found out only through talking to people. I am quite relaxed about other things but, if I am honest, I felt that this was a particularly invidious area. We have had evidence that a large percentage of your profits come from a very small number of people—at the extreme, 2% of VIPs deposit 83% of profit. These were all done anonymously, which I guess is another issue, but let us take it as that. Is this the case for your company? More worrying was the fact that VIP gamblers are 11 times more likely to become problem gamblers. Certainly, from hearing from our problem gamblers, I felt that the whole psychology and the way that it was set out was very predatory and preyed on people's vulnerabilities. This worried me. Can you confirm whether your managers are incentivised? Some of you did. We would be concerned about this—are you?

Conor Grant: We share your concerns. Our business has 3 million customers and 100 VIPs, who represent 1% of our revenue. We do not focus our investment in the area. The relationship that we have with these customers acknowledges that they have a propensity to spend more. We are very stringent on the affordability checks and ensuring that they have adequate resources to spend at higher levels. The relationship that they have with the individuals is not one in which the individual is remunerated or given a bonus based on customer performance. It is quite the opposite. We ensure that the account managers are focused on having safer gambling interactions, imposing limits on the customer accounts and having regular interactions. It is a very different process for us and a much smaller part of our business.

The Chair: Why do you feel that you need it? What is the business reason to have a VIP scheme?

Conor Grant: I personally do not like using the term "VIP". We do not have it in our business anymore: we call them key account managed customers. The reality is that there are people who can afford to spend more on gambling. As in any commercial enterprise, those customers expect a different level of service. We are providing that. How do we build that business? The staff are not incentivised, and we do not try to grow that base. We try to ensure that these customers are looked after and that we act responsibly with them. Those are the key tenets of our relationship with these customers.

The Chair: May I look at the other operators?

Brigid Simmonds OBE: Definitely, because that is certainly not what we have heard or feel.

Kenny Alexander: I will give you the numbers that you asked for. VIPs or high-value customers—whatever you want to call them—make up 1.4% of our database. These make up 38% of the total deposits of Ladbrokes Coral, which is our UK business. As you would expect, they spend more than the rest.

The Chair: What due diligence are you able to do within the constraints of GDPR, et cetera, before you accord them that status?

Kenny Alexander: At the moment, they get to that status not by how much they have lost but how much they have played, so depending on activity. We do affordability checks.

The Chair: How do you do those?

Kenny Alexander: We ask for their payslips and—as much as we can—sources of their wealth, et cetera, to verify that they have the money to spend. I am not going to sugar-coat it: 99% of the customers who play on our sites will lose, so you're probably losing more if you play more.³ I will be very straightforward. We have been asked to do work by the Gambling Commission on VIPs. The schemes, including the one that we have in place at the moment, where you have tiers and will have better service the higher you go up the tiers, including tickets, are too aggressive, I think.

We will come back with our findings to the Gambling Commission. We are working with the BGC and the 14 other operators on it. We will suggest changes to the industry code for VIP schemes. All retail consumer businesses have loyalty schemes that reward people who use the sites, but I think that some of the gambling ones have got too aggressive: you are incentivised to play more and more to get better tickets, more bonuses, et cetera. I have given you the percentage and the numbers. There need to be changes in VIP schemes. We have been asked to look into it and will be reporting on it shortly.

The Chair: Before I come to Lord Foster, would you like to say anything, Mr Bengtsson?

Ulrik Bengtsson: Yes, please. Why do we have these schemes? It is important for us to reward loyal customers. With us, they get this level of service regardless of whether they win or lose. They are on these programmes for a month or over a longer period. Some 0.6% of our customer base stands for around 20% of revenue. We have very strict measures in place for what we call high-value customers or VIPs. You have to be over 25; can never have taken time out, self-excluded, set

³ Note by witness: The figure '99%' was said for illustrative purposes and is not a statistical figure that represents the actual percentage of GVC bettors that incur losses.

deposit limits or had a form of responsible gambling intervention from us in your history; and we are very diligent in the source of funds measures that we take to make sure that these people can afford to play on these levels. I would also like to make it very clear that because you are a VIP does not mean that you are a problem gambler. There are individuals who can afford to play at high levels.

The Chair: Can I go through all the operators? Mr Coates?

John Coates: It is a really small part. We all agree that encouraging a problem gambler to gamble more is fundamentally wrong. From our perspective, it is a very small part of our business, less than 0.1%, which represents less than 1% of deposits. We do source of funds checks and a responsible gambling check before everybody. These are repeated on an ongoing basis. If they show any markers of harm, they have to come off the system.

Dan Taylor: Our business has a small number of managed customers, about 1,200 across the business, accounting for less than 2% of group revenue. From my perspective, the key thing is that we have heard loud and clear the valid criticisms: encouraging customers to spend more than they can afford has no place in this industry and certainly none in any business that I run. This is the way that we operate these schemes: before you can become a managed customer, you have to go through affordability checks, which include source of funds—providing payslips and any other documents to prove that. We have to go through full responsible gambling checks. Anyone deemed to be at risk through our risk model is excluded from that programme. As I described earlier, the key account managers who have those relationships do not have their incentives linked to the spend of those customers in any way, but they are linked to the successful completion of those responsible gambling processes. I echo the points made: in many cases, we have made changes but I recognise that there is probably still more to do, and that we need to raise the bar and set higher standards as an industry. I welcome the review and the changes that I hope will be rolled out across the sector at large.

Lord Foster of Bath: This will be a very brief side point, raised by Mr Alexander and Mr Taylor. We talked earlier about inadequate amounts of affordability testing going on and agreed that more needed to be done. Both of you have referred to the fact that you do affordability checks with your VIP or managed customers. I am very conscious that one of the difficulties is an agreed definition of what is affordable. You have all the data, such as how much money they have in bank accounts and everything else. How do you decide what is affordable?

Kenny Alexander: I cannot really give it in public because it is commercially sensitive information that I would not like to give away. I am happy to share it in private with you. It depends on how much we believe that they can spend.

Lord Foster of Bath: If you have checked with my bank and everything

else that I have a million quid, how much do you think that it is affordable for me to spend? How do you work it out?

Kenny Alexander: In that case, we would probably take a view that you could spend £20,000 or something of that magnitude.

Lord Foster of Bath: Do you accept that one of the issues that we therefore need to look at is having some sort of understanding of the model that is used? It is all very well to say that you do affordability checks, but we do not know what you deem to be affordable.

Kenny Alexander: I agree 100%. Affordability is absolutely key. There is a huge desire for the industry to get to a standard view among all licensed operators, all using the same affordability checks, all agreeing and making the same decision about an individual player if they were to come to that business. If possible—as Brigid has already said—we could take one view of a player, so that he is not spending an amount with me and the same with Ulrik. There should be a single standard view for looking at the affordability of players for all licensed operators. John mentioned some of the things that he is doing about affordability, and Dan and Ulrik have mentioned a few. We should take best practice across the industry, put it in place as what any licensed operator should be using, and we should be able to share that information so that it cannot be abused by breaching my affordability and doing the same with Ulrik—that completely defeats the purpose. That is the crux, though there are other issues that definitely need to be tackled. There is huge desire to tackle the issue among the people sitting here and other operators, et cetera—and it is at the forefront of the BGC's work. If we can address it and get it right, I think that the number of problem gamblers in existence today—a magnitude of about 400,000—will come down significantly once that plays through over the next three to five years. That is what needs to be done.

Ulrik Bengtsson: May I make a small comment on that?

The Chair: Yes—very quickly, please.

Ulrik Bengtsson: The really important thing is that these limits and affordability checks are for individuals. There have been some suggestions of one level for everyone, which clearly would not work. I want to make that clear.

Lord Mancroft: I think that my question has already been answered.

Baroness Thornhill: In that case, may I make a very brief observation? I talked about the psychology of a person: I chose that word quite deliberately. You have talked about affordability, payslips and all that, but you meet these people on the VIP days. I was concerned that nobody mentioned the training. From an interaction with one of our witnesses, it would have been self-evident that they were particularly vulnerable and that things were not right. I am surprised that no one has mentioned that.

Dan Taylor: All our key account managers and anyone working in our customer service team go through responsible gambling training. If any customers use certain language, phrases or behaviours, these are immediate triggers. They are passed over to our responsible gambling team, who intervene and decide whether they will impose deposit limits or close the account. We have used that training embedded into our business to ensure that we protect those customers. It is absolutely core to the way that that happens.

Ulrik Bengtsson: When I mentioned interaction, that is all based on behaviours. If you have had a reaction, whatever the behaviour is, you will be excluded from this.

Q137 **Lord Layard:** It is reported that some gambling operators have only agreed to compensate people suffering from gambling harms if they sign non-disclosure agreements. Has your company ever done that? If so, why?

Kenny Alexander: We have never done that. We have NDAs in place that are customer-friendly. In 2019, we entered into 28 of these settlement agreements.⁴ They have all been disclosed to the Gambling Commission.⁵ I am happy to share them—we can have a look at them. We have never forced customers to sign them in the way that you have said.

Lord Layard: Have they ever signed them?

Kenny Alexander: Yes, there were 28.

Lord Layard: They were not forced?

Kenny Alexander: They were absolutely not forced, and they were fully disclosed to the Gambling Commission.⁶

The Chair: What is the purpose of the NDAs?

Kenny Alexander: The purpose is to avoid disputes going to court, et cetera. Most businesses and industries have NDAs in place to settle disputes.

The Chair: Does anybody else want to come in?

Lord Mancroft: There is obviously an element of pressure.

Dan Taylor: There is no provision to stop a customer speaking to the Gambling Commission in any agreements we sign. They explicitly say that they do not prohibit you speaking to the Gambling Commission at

⁴ Corrected by the witness: see GVC supplementary written evidence GAM0117 and GAM0126

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all. We have signed confidentiality agreements to prevent copycat claims, but nothing prevents the information going to the Gambling Commission, and we would explicitly notify it of those as well.

Conor Grant: We have also entered into a number of agreements with customers. I have been in the industry for 21 years, since I left university. I think that the settlement agreements are symbolic of the change happening. In the settlement agreements we have entered into in the past, there is a recognition that we have not held ourselves to the standards that we now have in place.

The Chair: What are you settling?

Conor Grant: These are historical cases.

The Chair: What is the dispute?

Conor Grant: It is over whether we had given adequate protection for the customer or looked after them in the way that we would today.

Lord Mancroft: Are these customers who lost a lot of money?

Conor Grant: In some instances, but not all lost lots of money.

Lord Mancroft: What is the dispute that you are settling—have they not paid? Can they not? Will they not?

The Chair: We are trying to understand.

Kenny Alexander: Have they sued you because they think that you have harmed them?

Conor Grant: No, they have not sued us.

Lord Mancroft: So what is the dispute?

Kenny Alexander: A lot of it is from customers who have lost money. They are disputing that we have not done the proper affordability checks and are trying to get the money back from us. We get the NDA signed. They are consumer-friendly and all disclosed to the Gambling Commission.⁷

The Chair: What is normally the consideration for them signing the NDA?

Kenny Alexander: I would have to get back to you about that.

Conor Grant: Sky Betting & Gaming's consideration would be how we run our business today. We may not have had those processes in place three or four years ago. We look back at what we have historically done with that customer. We would have treated them differently and intervened much earlier now that we have the data and models available, and we would have communicated with them at a much earlier stage.

⁷ Corrected by the witness: see GVC supplementary written evidence GAM0117 and GAM0126

The lived experience cases that you were exposed to last October would not happen in our business today. In the event that it may have happened a few years ago, we enter into agreements with customers and discuss that with them.

Lord Mancroft: Does this also involve you writing off money that they might have paid you but cannot?

Dan Taylor: To be clear, these customers would not be credit betting, certainly not in our case. This money would have been spent, and we would reimburse the individual as Colin described, in a case in which we had not protected them in 2012 or 2013 in the way that we would today, and we have therefore chosen to reimburse them the money that they spent. It would never be money that they owed us per se. It would be money that we reimburse.

The Chair: Would you expect the incidence of these kinds of customer complaints, resultant settlements and NDAs to reduce dramatically?

Dan Taylor: That is exactly what we have seen. The number of cases has reduced significantly.

The Chair: Is there any evidence for that, or is it too early to say? It would be very helpful to have some post-hearing evidence from anybody on that.

Brigid Simmonds OBE: There is an industry scheme called IBAS. You can complain to it about procedures. If you thought you won £20 and you got only £15, there is a scheme. The Committee might think about whether we need an ombudsman for complaints such as that. At the moment, any real complaints of a behavioural nature have to go the Gambling Commission. IBAS would be quite keen to become an ombudsman. That is one of the things that the Committee might think about going forward.

The Chair: That would have to be statutory, would it not, to have any teeth?

Brigid Simmonds OBE: It would.

The Chair: Mr Coates, you are desperate to get in.

John Coates: I thought that you were asking about settlement agreements.

The Chair: Yes, please. Thank you.

John Coates: We have not entered into any settlement or confidentiality agreements related to gambling-related harm.

Ulrik Bengtsson: Neither have we.

Lord Mancroft: I would like to go back a bit. Mr Alexander said something very interesting about future schemes. At what level in your

businesses does someone become a VIP? At what expenditure, betting or losing level does somebody wake up and think, "This is a very valuable customer"?

Kenny Alexander: I am not trying to dodge the question: all our VIP schemes will be different—apples and pears. If you have 24 brands, all will have different schemes. On average, if you deposit in the region of £1,000 a month, you will definitely be a VIP.

Brigid Simmonds OBE: The average spend among companies would be very different. What is yours, Conor?

Conor Grant: To pick up on the point earlier when you were surprised at our numbers, 62% of our customers have deposited less than £240 in the last 12 months. Our average weekly spend is £9 on our bet business and £20 on gaming. We are in a different space.

Lord Layard: As great as it is that the incidence of harms is coming down—which is the main point that was just made—supposing that you inadvertently harm somebody, there is a case and you reach an agreement with them, do you offer them more if they sign an NDA? That is the spirit in which I took the first answer. What would you do in future if you inadvertently harmed someone to the extent that you thought that you were liable? Would you ask them to sign an NDA?

Kenny Alexander: Yes, we potentially would, and we would give them their money back.

Brigid Simmonds OBE: It is also about stopping other people taking similar sorts of claims. It is about protection on both sides.

The Chair: It is essentially what we used to call a full and final settlement—but you try to keep it confidential because of the scope for exploitation.

Brigid Simmonds OBE: Yes, but all these companies have to and do share it with the Gambling Commission, our regulator. That is the important bit.

Q138 **The Lord Bishop of St Albans:** Thank you very much indeed. We have noted that it is a highly competitive industry—you are competing for market share. Last October, Neil McArthur talked in one of his well-publicised speeches about wanting to engage in a race to the top, to create "the best—the fairest, safest—gambling operators in the world". Therefore, would it make sense for us to recommend a statutory duty of care placed upon all gambling companies, so that action could be taken if, for example, there were a deliberate or negligent failure to give effect to self-exclusion or a breach of licensing conditions? Would you like to comment on that?

Brigid Simmonds OBE: May I pick this up?

The Chair: Please do.

Brigid Simmonds OBE: The Betting and Gaming Council gave extensive written evidence on this particular question, which I will summarise thus. It is obviously a complex area of the law. We would be happy to provide a fuller written submission if you would like it. However, the Gambling Act already imposes extensive obligations on operators to protect children and vulnerable people, and, through common law, a narrow duty of care already exists for self-excluded customers. A new duty of care would be a significant change to the law and would have very similar obligations to those currently enforced by the Gambling Commission. There is also a possibility that it would set a precedent in application in other areas of finance and retail, so it would have to be looked at very carefully. The Gambling Commission can enforce LCCP in a very systematic and consistent manner, and it can easily be updated.

Susanna Fitzgerald QC gave you evidence. I will quote from what she said. "There are plenty of powers already. I feel that companies have acted against their social responsibility of codes of condition"—which is essentially what you were talking about, that the Gambling Commission has powers to review the licence and fine and does not need a duty of care. In summary, I suppose that we do not believe that they need a duty of care, but the Government and a review of the Gambling Act might obviously consider that further.

The Lord Bishop of St Albans: We saw the "Panorama" programme some time ago and heard the BBC Radio 5 Live exposé of the websites that took you from football clubs directly to children's advertising last year or the year before. In light of various things that we have taken evidence on, what do you think that we need to do in addition if we are not going to look at a beefed-up duty of care?

Brigid Simmonds OBE: I think the Gambling Commission has adequate powers in that area. It has already demonstrated that it fines companies when they behave inappropriately, which is a better way of looking at it than a duty of care. I will be honest and say that I am not a lawyer. If you want further information, we will probably have to write to you about it in more detail.

The Chair: You have very correctly quoted the current duty of care provisions in the statutes, but they have been in force since 2007. It has not stopped many of these horror cases, which may well predate the people in this room. Why is it adequate? Why should we believe that the existing duty of care will be adequate in the future, other than relying on the good will of the people in this room?

John Coates: To clarify on the 2007 point, although you are absolutely right that the Gambling Act came into force then, those people were not licensed under the Act until they changed the provisions in 2014. It was only then that the majority of companies came under the regulation of the Gambling Commission. It is from them that you have seen the cases.

The Chair: We have heard a great deal of good stuff from you guys today, but this is very late in the day given that the Act has been in place

for so long and the regime for the regulator has been the same. You cannot help but examine the duty of care issue going forwards to see how we can avoid what has happened in the past, even under the present duty of care.

Brigid Simmonds OBE: I would expect the Government to examine the duty of care. It is a legislative point going forward. We have tried to demonstrate that a lot of these cases are historic.

The Chair: They do not predate the Act.

Brigid Simmonds OBE: They do not, but we would hope that a lot of the cases would be in the past. It is very difficult, because there is a lot of personal responsibility involved in this and the way that people behave.

The Chair: There is no directors' liability, as there is in health and safety, for example, where the board of the company is statutorily responsible for the welfare of its customers and workforce.

Brigid Simmonds OBE: No, but the fines can be and have been large. The Gambling Commission takes that aspect of its work extremely seriously. We are not closing our mind to this. I think is slightly beyond the expertise of those sitting in front of you.

The Chair: I am wondering whether—and proposing that—the duty of care could go all the way to the boardroom and people on the board could be individually liable.

Conor Grant: It is worth adding that, at a senior level, we are all personal management licence holders. As personal licence holders, there is a personal element: if you breach your licensing conditions, you will not work in this sector or industry any longer.

Lord Watts: This is a quick one. You are demonstrating that you are bringing the industry together, but not every player is a member of your organisation. Does that create problems?

Brigid Simmonds OBE: We are 90% of the industry in this country, excluding lotteries, which fall outside that. We are now working very closely with everything from casinos to bingo. I am also working closely with BACTA, which is responsible for the arcades, and with the Bingo Association. We will be meeting regularly and sharing what we do. In this country, we are absolutely coming together as an industry. Our concern is about those not licensed in UK or not playing by the rules. We have said this all the way through: we have big changes to make and are making them. We would hope that you will not see some of the cases that have come before you in the future.

The Chair: May I come back to the duty of care? Under the present statute and regulatory regime, is that duty really to the licensing authority, namely the Gambling Commission, and not to the customers? Who do you feel that that duty of care is to? What is the evidence that

that is a duty of care to the gamblers?

Dan Taylor: Personally, I think that we have an unwavering obligation to do everything we can to use the information that we have to protect our customers from getting into problems with their gambling. I have talked about that today, but I worry about whether we have done enough. I recognise that the industry needs to do more. I cannot tell you whether we need a duty of care or whatever and what that should be—I am not a lawyer. I need to say that we welcome the review, and we think that this needs to be brought into the modern day and that the industry needs to change. We have made progress, but we must do more. As I said, I think that we have an unwavering obligation to protect the customer.

The Chair: Would it be an unfair characterisation to say that, as you do your work from day to day, your concern is—quite correctly and responsibly—to fulfil the conditions of your licence and make sure that you do not fall foul of your regulator, and that that comes before a sense of duty to the customers?

Brigid Simmonds OBE: I think that that is where there has been a major change.

The Chair: It is a voluntary change.

Brigid Simmonds OBE: Yes, but it is about caring about your customers. That is the discussion that we have, day in, day out, among all those companies: they care.

The Chair: Can we rely on good will for ever?

Kenny Alexander: I think that the industry has turned a corner. It has a long way to go. I have been in this industry since 2000. I have seen it from its very infancy to where we are today. Take my role, for example. I became the GVC chief executive in 2007. How much of my time was on responsible gaming and thinking about protecting the customer? To be brutally honest, very little was. Over the last 18 months, how much of my and my senior team's time has been spent looking into responsible gaming and how we can protect our customers and give them as much as we possibly can? More than 50% of my senior management team's time is spent on that. I think that it will be the same for every operator.

Lord Butler of Brockwell: What motivates this change? Why has this feeling of responsibility to your customer developed so strongly in recent years?

Conor Grant: From my and my company's perspective, we have a mantra in our organisation to do the right thing by our customers. We operate in a highly competitive marketplace. We are a recreational business and have to do the right thing by our customers. There is a genuine sense that we want to do that. There has been extraordinary publicity around our industry, but that is not the motivating factor here. For us, it is about wanting to do the right thing by our customers.

Lord Butler of Brockwell: Is it a moral imperative, in the interests of the business or both?

Conor Grant: I think that it is both. Ultimately, we do not want customers losing large sums of money in short periods of time. That is not a sustainable business model. We want to be a recreational business that allows people to have affordable enjoyment of betting and gaming.

Q139 **Lord Smith of Hindhead:** This is the final question. Some of the evidence we have received has suggested that there has been a tendency towards regulatory creep by the Gambling Commission. Do you agree with that? We would be interested to know. Could you also describe your relationship with the Gambling Commission?

Brigid Simmonds OBE: We have to work with the regulator and it has to have an arm's-length relationship with us, as well as co-operating with us. Since I have been in post, we have gone out of our way to work closely with the Gambling Commission. We do not agree with everything that it says and does, but we have an honest and open discussion with it. That is necessary in any industry that has a regulator, but we are committed to working with them and have regular discussions with them. They need to work with all the individual companies but also needs to take action at times. That action is its prerogative as a regulator.

Lord Smith of Hindhead: Anyone else?

John Coates: We are licensed in 15 different jurisdictions, so we have experience of a lot of regulators. We would generally make the comment that the Gambling Commission is held in pretty high regard by those other regulators. Describing our relationship, I would agree with Brigid: we do not agree with everything that it does or says, but I would describe it as firm but fair with us.

Conor Grant: In the absence of consistent and shared learnings, I think that the Gambling Commission has an important role to play, such as in research, taking learnings from individual operators and using them to shape and form legislation.

Lord Smith of Hindhead: May I ask one little thing?

The Chair: Please—the last question. Thank you.

Lord Smith of Hindhead: This does not relate to the Gambling Commission but to GambleAware. A few times during our evidence session, you have referred to GamCare and said that you support it and its work. None of you finance it: you give your cash to GambleAware in the hope that it will give some of it to GamCare. Do you think that you would be better off diverting some of the money that you give to GambleAware directly to GamCare so that you know that it will be funded? At the moment, GamCare has to wait until GambleAware agrees to give it some extra money.

Brigid Simmonds OBE: The Gambling Commission has just made a change: you can give your RET money to one of the approved charities, of which GamCare is one.

Lord Smith of Hindhead: When did that change take place?

Brigid Simmonds OBE: It has just taken place now.

Lord Smith of Hindhead: When you say now, do you mean yesterday?

John Coates: It happened in January.

Brigid Simmonds OBE: Yes, in January this year. In this year's finances, we will have to give the funding to one of those approved charities. I agree that GamCare does an enormous amount of work. I declare an interest: I was a GambleAware trustee a few years ago, for three years. I think that it has been co-ordinating the amount of money—the 0.1% that has gone into the industry. We are very keen to work with GambleAware and do, particularly on some of its advertising campaigns.

I will be honest: I am not personally in favour of a statutory levy. I think that it is much better organised as it is at the moment, but we need to make sure that everyone contributes to it. They now have a choice about where they contribute that money. We will work with GambleAware to make sure that GamCare remains a sustainable charity going forward, because that is enormously important to us all.

The Chair: How do you know that you are getting value for money? Your shareholders' and owners' money is going into this. How do you know that it is well spent, that they are efficient and that the outputs are what you would hope for?

Brigid Simmonds OBE: GambleAware has to undertake a lot of due diligence. It has to make presentations and give evidence on how it is spending their money. I have recently been up to Leeds to see the GamCare centre, one of the 120 that it has funded. It is doing a very good job. It is also important that the NHS is now becoming involved with its 14 new centres and working with it.

The Chair: Thank you. We will have Lord Watts and Lord Foster, then we will let you go.

Lord Watts: Ms Simmonds, I was very taken by the piece in the *Financial Times* about the role that banks could play in dealing with this matter. It is a hobby-horse of mine. I think that, in some cases, they are in a much better position to monitor whether people are overstretching themselves. I can see your view from the article. How effective do you think it would be if the banks played a more positive role?

Brigid Simmonds OBE: I think that they have been a bit slow, but most people can now go on to their bank account and exclude any spending from gambling. We are talking about going further than that. When they look at a customer asking for £10,000 and can see that they spend a lot

on gambling sites, they should be raising questions and sharing some of those with us as companies so that we do not get into the mess that we have, frankly, got into, where people have spent beyond their means, which not only affects them but their family members and friends. There is work that banks can do going forward. We have to work across the piece with many other organisations, from the NHS to some of the high-tech companies.

Lord Foster of Bath: I simply do not know the answer to this straightforward question. When the change was made by the Gambling Commission to allow you to give RET money to approved charities, did it also agree that all monies paid by companies to RET activities would now be made public? Until very recently, the voluntary contributions made outside the money to GambleAware were not made public by the Gambling Commission.

Brigid Simmonds OBE: I do not think that the Gambling Commission has made it public, but GambleAware absolutely makes public who its donations are from.

Lord Foster of Bath: Do you believe that all contributions should be made public?

Dan Taylor: All us have made public commitments. I am very happy for them to be public and for everybody to be enforced at the same level.

Lord Foster of Bath: So you would encourage the Gambling Commission to publish the sums of money that you have given?

Dan Taylor: Yes, absolutely.

Lord Foster of Bath: Thank you.

The Chair: On behalf of the Committee, I thank you all for a very frank and helpful contribution to what will be quite an intense national and political debate over the next year or so. We look forward to digesting what you have said and trying to turn all the evidence into some recommendations that might help that debate. May I ask the Committee to stay behind for a moment? That concludes the public session. Thank you very much indeed.