



House of Commons

Digital, Culture, Media and
Sport Committee

What next for the National Lottery?: Government and Gambling Commission Responses to the Committee's Fourth Report

Seventh Special Report of Session
2022–23

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The Digital, Culture, Media and Sport Committee

The Digital, Culture, Media and Sport Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Digital, Culture, Media and Sport and its associated public bodies.

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Seventh Special Report

The Digital, Culture Media and Sport Committee published its Fourth Report of Session 2022–23, [What next for the National Lottery?](#) (HC154), on 22 November 2022. The Government response was received on 2 March 2023 and is appended to this report. The Gambling Commission's response was received on 2 March 2023 and is Appendix 2.

Appendix: Government Response

Introduction

1. The government thanks the Committee for its thorough and wide-ranging report on the future of the National Lottery and the wider lotteries sector. The Committee's report comes at an important time. As we approach the 30th anniversary of the National Lottery and the start of the 4th licence in 2024, and following the first increases to society lottery limits in over a decade, it is right that we take stock of the future of this sector, which contributes so much to national life.
2. The government is grateful to the Committee and to all those who contributed to its inquiry, including National Lottery Distributing Bodies and representatives of the lotteries sector. The Department for Culture, Media and Sport (DCMS) is responding to those recommendations which are for the government, while, as the independent regulator of the National Lottery, the Gambling Commission is responding separately to recommendations which are for the regulator.
3. As the Committee is aware, the government will soon publish a Gambling Act Review White Paper, which is pertinent to some of the issues raised in the Committee's report. In preparing this, the government has engaged with Members across the House and will continue to do so, including via the Committee's ongoing inquiry into gambling regulation.

The Future of the National Lottery

4. Since its launch in 1994 the National Lottery has raised more than £47 billion for good causes up and down the UK. In 2022 alone, National Lottery players raised £1.8 billion for good causes and the National Lottery funded just under 16,000 projects, including £22m for projects and events connected with the Platinum Jubilee of Her Late Majesty The Queen - continuing the National Lottery's proud record of helping communities come together to mark major moments in the life of the nation.
5. As we approach important milestones in the history of the National Lottery, we welcome this opportunity to take stock of how this national institution is fulfilling its core mission to fund good causes, while ensuring that protections for players remain fit for the digital age.

6. The legislative framework for the National Lottery established the principle that it is run under licence by a private company and regulated at arm's length of government by an independent regulator. However, while the government is not directly involved in the day-to-day running of the National Lottery or in its regulation, we share three overarching statutory duties with the regulator: to ensure that the Lottery is run with all due propriety; to protect the interests of those who participate in the Lottery; and, subject to both these duties, to maximise the returns to good causes the Lottery generates. These duties, and the relationship between them, underpin the government's approach to setting the strategic direction for the National Lottery.

7. The Committee has focussed on harm prevention as a matter of primary importance. We welcome the Committee's views on this and agree that it should be the foremost priority when it comes to the future of the National Lottery. It remains the case that National Lottery products are associated with lower levels of risk than other gambling products - with the Health Survey for England (2018) showing that problem gambling rates for National Lottery draw-based games were 0.9% while the figure for scratchcards was 1.4%, compared to rates for other activities covered by the survey ranging from 2.7% to 12.7%. However, as the Committee has recognised, the growth of online play presents risks where players can be targeted in harmful ways and we agree with the Committee that we must remain vigilant about this. We also acknowledge that personalisation presents opportunities where it allows the operator to more closely monitor patterns of play. This enables appropriate interventions to be made if problematic patterns are observed, for example ensuring that vulnerable people do not receive marketing.

8. The government is satisfied that, through its licensing regime, the Gambling Commission is ensuring that Camelot and Allwyn are putting player safety first. The Commission has already overseen continuous improvements in how Camelot monitors patterns of play, identifies those at risk, intervenes in play where necessary, and provides access to safe gambling messaging and support. Looking ahead, the Commission has a robust programme in place to oversee Allwyn's plans for participant protection under the 4th licence, the requirements of which will be broader than under the 3rd licence. Allwyn is working through its player protection plans with the Commission. Allwyn has assured DCMS that it would be happy to share the details of its approach to player protection with the Committee as and when it is in a position to do so.

9. The Commission's approach to participant protection is underpinned by cooperative working relationships with both Camelot and Allwyn. The government and the regulator have shown, however, that we are willing to take proactive steps to protect players where we believe it is necessary, as we did in 2020 when the regulator commissioned research that led to the maximum stake for National Lottery online instant win games being cut from £10 to £5, and in 2021 when the government legislated to raise the minimum age of play from 16 to 18.

The 4th National Lottery Licence

10. The competition to operate the 4th National Lottery licence (2024-34) was run at arm's length by the Gambling Commission. DCMS was involved in setting the strategic direction of the licence and we welcome the Committee's findings on how the procurement of the licence was run.

11. The UK's National Lottery is one of the world's most successful and we are pleased that its value was reflected in the strong level of market engagement with the licence competition – with more bidders for the 4th Licence than any licence competition since 1994. However, the scale and value of the Lottery has clearly also incentivised challenges to the competition outcome. The government is disappointed that the companies involved chose to pursue legal action, which, as the Committee has recognised, poses risks to the National Lottery's mission to fund good causes.

12. The government acknowledges that commercial sensitivities did not allow for as much parliamentary scrutiny as the Committee would have wished during the tendering stage of the 4th Licence. We are committed to ensuring that the Committee has opportunities going forward to understand what the 4th Licence will look like in practice and we will work with the Gambling Commission and with the new operator, Allwyn, to ensure that this happens, as and when it is feasible and appropriate.

13. The Gambling Commission has, as indicated below, committed to engaging with the Committee on the lessons learned from the 4th licence competition. The government is similarly committed to engaging with the Committee when the time comes to consider the shape of the 5th licence. That licence is due to begin in 2034.

Promoting the National Lottery's Support for Good Causes

14. In legislating for the National Lottery, Parliament set a clear requirement for propriety and protection to be at the forefront of how it is run. At the same time, Parliament imposed a duty to maximise good causes returns. We can be proud of how this mission is being fulfilled, with nearly £2 billion a year currently generated for good causes.

15. The government believes it is vitally important to maintain the core purpose of the National Lottery to support good causes. To do so, it is imperative that we do not choose between protecting players and generating proceeds – both must happen in harmony. Making this work relies on the formula that has underpinned the National Lottery since 1994: encouraging people across the UK to play little and often by offering the chance to win life-changing jackpots, which generate proceeds large enough to fund good causes on a national scale. This link distinguishes the UK's National Lottery from some other national lotteries, whose proceeds fund general government expenditure.

16. The relationship between the scale of the National Lottery and its social purpose is at the heart of what makes it special. As the Committee has recognised, it is of existential importance to the National Lottery that players continue to recognise this and to see the impact funding has on them and their communities. The government is committed to working with the National Lottery Family – including the operator and the National Lottery Distributing Bodies – to continuously strengthen this association. However, the government believes it is important to remember that, while the link to fundraising is what sets the National Lottery apart from other forms of gambling, the formula for generating returns to good causes depends on players being motivated to play. The 2019/20 Taking Part Survey research suggested that 67% of National Lottery players were motivated by the chance to win life-changing prizes, compared to 24% who were motivated by supporting good causes. We believe it is important therefore that the operator continues to use jackpots as a primary appeal to players.

The Wider Lotteries Market

17. The Committee has made a number of important recommendations in relation to the wider lotteries sector. We welcome the Committee's conclusion that society lotteries play a vital role in fundraising for good causes and we join with the Committee in celebrating the success of the society lottery sector, which has continued to grow in recent years, following significant reforms introduced in 2020.

18. The government wants both society lotteries and the National Lottery to be able to thrive, recognising that they fulfil different roles in respect of funding and that they appeal to players in distinct ways. The National Lottery uses life-changing jackpots to generate proceeds that can support good causes on a national scale, while society lotteries offer a route for players to support individual good causes and often appeal to players specifically on this basis. Gambling Commission research (Young People and Gambling Survey 2019) has shown that the primary motivation for playing society lotteries is donating to the specific charities or good causes they support, whereas for the National Lottery it is large jackpots. Both elements support good causes and we want that to continue, but we must be mindful of making changes that might disrupt the balance between the two and which might risk the funding they both provide. Currently the National Lottery and the society lottery sector are growing in tandem, a balance that we want to maintain.

Government Responses to Recommendations

DCMS is responding to those recommendations for the government. As the independent regulator, the Gambling Commission is responding separately to those recommendations which are for the regulator. The Commission's response is annexed to this document.

Recommendation 7: We recommend that the government continues to ensure greater alignment between its investment priorities into areas of high economic or social deprivation and the distribution priorities of National Lottery fund distributors.

The government agrees with the Committee that National Lottery funding can play a critical role in improving the lives and life chances of people across the UK, particularly in areas of high economic or social deprivation.

As the Committee has acknowledged, Arts Council England's recent announcement of an increase in funding for areas outside London through its 2023-26 investment programme shows the vital role the National Lottery Distributing Bodies can play, both with Lottery and Exchequer funding, in the Levelling Up agenda.

While investment and grant-making decisions are made independently by the Distributing Bodies, DCMS uses a range of mechanisms to engage the 6 Distributing Bodies that are DCMS Public Bodies on the strategic direction of their funding and investment. These include National Lottery policy directions, which set out the matters to be taken into account when the bodies distribute money, as well as framework agreements between the department and the Public Body. Current National Lottery policy directions require distributors to consider the need to reduce economic, social and environmental deprivation across the UK when distributing funds.

In order to ensure greater alignment, we are considering the role that policy directions play in supporting investment priorities and we are committed to reviewing them at the appropriate time.

Recommendation 8: We recommend that a clear majority of National Lottery product advertising should prominently feature the link between playing the National Lottery and supporting good causes.

We agree with the Committee that public awareness of the National Lottery's core mission to fund good causes is vital. The National Lottery Promotions Unit is a joint venture between the operator, DCMS and distributors, which works to get this message across and a number of recent campaigns have shown the value of their work. These include campaigns highlighting National Lottery funding connected with: the UK's response to the Covid pandemic, Team GB's and Paralympics GB's success at Tokyo 2020, the Lionesses' victory in the 2022 Euros, the Commonwealth Games in Birmingham and the community events connected with the Platinum Jubilee of Her Late Majesty the Queen.

Advertising campaigns have been amplified by a range of associated promotional activity to raise public awareness of the impact of National Lottery funding, including major arena events such as *The National Lottery's Team GB Homecoming* and *The National Lottery's Paralympics GB Homecoming*, *The National Lottery's Big Night Of Musicals* and *The National Lottery's Big Jubilee Street Party*, all of which were broadcast on national television. The impact of this sustained commitment and investment in engaging the public in the difference the National Lottery has made to society has been borne out by internal research carried out by the operator, which showed that public positivity towards the National Lottery reached the highest levels ever recorded.

The government welcomes the commitment shown by the National Lottery operator, the National Lottery Promotions Unit and the National Lottery Distributing Bodies to publicising the good causes funded by the Lottery, but we recognise the importance of balancing this with messaging about prizes and games. Research has shown that National Lottery play is largely motivated by the chance to win life-changing prizes, particularly in relation to draw-based games. We believe it is important for the operator to recognise this and to appeal to players on this basis because this has proven the best way to generate the ticket sales that in turn provide such high levels of funding for good causes, in accordance with statutory duties.

The government is committed to working with the National Lottery operator and through the National Lottery Promotions Unit to ensure that public understanding of the link between National Lottery play and good cause funding is maintained and strengthened through advertising and other promotional activity. Building on the momentum of recent campaigns, the National Lottery family is already preparing to use the 30th anniversary of the National Lottery in 2024 as an opportunity to celebrate the impact the Lottery has on national life. We will work with the operator and the National Lottery Promotions Unit to ensure the Committee is engaged on these plans. In the meantime, the National Lottery Forum is planning to hold a National Lottery event in Parliament to mark the 29th anniversary of the National Lottery in November 2023, which will offer parliamentarians an opportunity to learn about the Lottery and its impact.

Recommendation 9: We recommend that, over the next six months, the distributing bodies consider how they might more effectively ensure that recipients of funding ensure that those benefiting from funding are aware of the source of their funding. We would like to receive a report from the National Lottery Distribution Fund to inform us of changes to be made.

The government agrees with the Committee that it is vital that the source of the National Lottery funding raised by the public is understood and acknowledged by recipients and we will work with the National Lottery Distributing Bodies to submit a report to the Committee as recommended.

It is already the case that all recipients of National Lottery grants have a contractual obligation to acknowledge their National Lottery award publicly. The Lottery Distributing Bodies assist grant recipients to fulfil this obligation by providing ‘principal funder’ status or ‘supported by’ branding, as well as National Lottery logos, template press releases and digital training. Some Distributors also provide free promotional material such as plaques, banners, bunting and flags, which grant recipients can order online to publicise that their project is funded by the National Lottery. The Distributors also regularly publicise case studies of National Lottery- funded projects on their websites and social channels, amplified by media engagement and public relations events. For example, in December 2022 The National Lottery Community Fund - the largest funder of community activity in the UK - publicised a package of £100m of funding to help communities through winter, with supportive messages from some of the 2,500 organisations benefiting from the package right across England.

To support the amplification of good cause funding, some of the National Lottery Distributing Bodies have taken steps to emphasise the role of the National Lottery in their branding. For example, the Big Lottery Fund and the Heritage Lottery Fund rebranded as The National Lottery Community Fund and the National Lottery Heritage Fund respectively and use the National Lottery logo which, according to YouGov surveys, was recognised by 96% of the UK population in Q3 2022. Other National Lottery Distributors have rebranded core funding programmes for the same reason. For example, in 2018, Arts Council England rebranded its Grants for the Arts programme to National Lottery Project Grants.

The government welcomes the National Lottery Distributing Bodies’ continuous commitment to ensuring that the National Lottery is recognised and acknowledged but we recognise that, given the scale of Lottery funding and the number of recipients, there is always more that can be done to improve this. We will work with the National Lottery Distributing Bodies to report to the Committee within six months on the scope for strengthening action to ensure that beneficiaries are aware of the source of their funding and acknowledge the National Lottery in an appropriate way, proportionate to the level of funding.

Recommendation 10: We recommend that the 10% rule for society lotteries should be removed, instead allowing individual societies to set their own prizes, up to a limit of £500,000.

The government is committed to ensuring that society lotteries are able to thrive while protecting the unique UK-wide status of the National Lottery and its ability to offer life-changing prizes. In 2020, following consultation, the ticket sales and prize limits for society lotteries were increased, with the maximum per draw prize limit rising from £400,000 to £500,000. These increases were to enable the sustainable growth of the society lottery sector without detriment to the National Lottery. At that time, the Government did not propose changes to the rule that the maximum prize is the greater of £25,000 or 10% of the proceeds. This was to ensure that the primary purpose of society lotteries of raising money for good causes was maintained.

The review of the 2020 reforms published in March 2022 found that early indicators showed a positive impact on the society lottery sector, but that it was too soon to reach a firm view of the impact of the changes. At that point, the vast majority of individual draw top prizes were under £10,000, and this had not changed under the new per draw prize limit of £500,000.

Society lotteries are a major fund-raising tool for charities and other non-commercial organisations. The sector has grown considerably since 2011-12, when large society lottery sales totalled just over £300 million and raised £127.4 million for a diverse range of good causes. The latest published figures show that in 2020-21, sales totalled £871.7 million, which returned just under £402 million for good causes.

Sales and returns to good causes have increased by 189.6% and 215.5% respectively over this period. Table 1 (below), which shows sales by large society lotteries (which must be licenced by the Gambling Commission because they either sell tickets worth more than £20,000 in a single draw or more than £250,000 in a single year), good causes contributions, expenses and prizes over the last 5 years, illustrates the growth following the 2020 reforms, with reduced expenses and increased good causes funding.

Table 1: Large society lotteries sales and distribution

Year	Sales (£m)	Good causes (£m) (%)	Expenses (£m) (%)	Prizes (£m) (%)
2016 -17	587.8	256.0 (43.6%)	186.5 (31.7%)	145.4 (24.7%)
2017-18	675.3	296.1 (43.8%)	206.2 (30.5%)	173.0 (25.6%)
2018-19	734.9	331.9 (45.2%)	208.8 (28.4%)	194.3 (26.3%)
2019-20	832.0	367.9 (44.2%)	244.9 (29.4%)	219.2 (26.3%)
2020-21	871.7	401.9 (46.1%)	233.1 (26.7%)	236.9 (27.2%)

The statutory limits on society lotteries have a bearing on the size of the sector overall, the prizes society lotteries can offer and the balance between returns to good causes, prizes and expenses. The £25,000 or 10% of proceeds limit protects funding for good causes and mitigates the risk of society lottery operators being unable to meet some costs after prizes have been covered.

Society lotteries have a diverse range of operating models. Most of the largest ones offer a daily or weekly draw, often through a subscription, with additional weekly, monthly or quarterly draws. Revenue from sales is split between prizes, expenses and returns to good causes (minimum of 20%, although currently the sector average is 46%). For most of the sector, the top individual daily or weekly draw prizes offered are fairly modest (see table 2 below), and within the £25,000 threshold. Significantly higher prizes are offered only by the

very largest umbrella branded lotteries in additional weekly or monthly draws. Typically, an entry to these additional draws is included in the ticket price for the individual draws, or forms part of a monthly subscription. Since the top prize increased in 2020, the sample below shows that the top individual daily or weekly draw prizes have remained the same but some operators have increased the top prizes of their additional monthly or quarterly draws, although in a few cases these have decreased (for example, the Health Lottery and the British Heart Foundation's Lottery).

Society Lottery	July 2019		January 2023	
	Top prize (in regular daily or weekly draw)	Top prize in additional draws	Top prize (in regular daily or weekly draw)	Top prize in additional draws
People's Postcode Lottery	Up to £30,000 per day	Monthly draw. £180,000 (estimated, as the individual winners receive a share of a jackpot)	£30,000 per day	Monthly draw. £350,000 - £400,000 (estimated, as the individual winners receive a share of a jackpot)
The Health Lottery	Minimum £25,000 (4 draws per week)	Monthly up to £250,000	£25,000 (4 draws per week)	Two draws per week, each for £100,000
Age UK	£2,000 weekly draw	Quarterly £25,000	£2,000 weekly draw	Quarterly £25,000
Royal British Legion's Poppy Lottery	£2,000 weekly draw	Quarterly £20,000	£2,000 weekly draw	Quarterly £20,000
British Heart Foundation	£1,000 weekly draw	Quarterly up to £15,000	£1,000 weekly draw	Occasional superdraws for £10,000
Cancer Research UK	£1,000 weekly draw	£15,000 (3 times a year)	£1,000 weekly draw	Quarterly £15,000
Macmillan	£1,000 weekly draw	Quarterly £10,000	£1,000 weekly draw	Quarterly £10,000
Battersea Dogs & Cats Home	£600 weekly draw	Quarterly £3,000	£600 weekly draw	Quarterly £10,000

Source: DCMS desktop surveys. Green cells show where a maximum prize has increased and orange cells show where a maximum prize has decreased.

We have not seen any significant changes to the top prizes on offer since July 2020. The vast majority of society lottery top prizes are still under £10,000. Only one draw has taken place offering a prize greater than the previous £400,000 limit (up to October 2022). This suggests that operators are not constrained by the rule that prizes can be no more than the larger of £25,000 or 10% of proceeds.

The government recognises that it can be difficult for operators to assess before a draw how many tickets they will sell, and therefore the size of prizes they can safely offer, and that the limit may de-incentivise operators from selling more tickets for a particular draw once they have sold enough to allow the planned prize. Notwithstanding the points made above, the government will explore the Committee's recommendation.

The Gambling Commission will consider the Committee's recommendation as part of its role of keeping the sector under review using data collected through returns from society lottery operators, the National Lottery tracker, and other sources. These sources include changes to operator terms and conditions, restructuring, and monitoring licence applications. The Commission also has an active relationship with relevant trade associations, to help them understand the impact of regulation on the sector.

Recommendation 11: We recommend that prize draws be subject to regulation such as that which applies to society lotteries, including on the percentage of sales that must be donated to good causes. We hope that the upcoming gambling White Paper will provide detail on the government's plans in this area.

The government agrees that the regulation of gambling products needs to be updated so that it is fit for the digital age. This is why we have carried out a wide- ranging review of the Gambling Act (2005), which underpins the regulation of lotteries other than the National Lottery. We have carefully considered the Committee's views on the scope for regulating products that are not currently regulated. We will publish a White Paper setting out our conclusions and next steps in the coming weeks.

Appendix 2: Gambling Commission Response

The Gambling Commission welcomes Parliamentary scrutiny and the specific interest of the DCMS Committee in both the gambling sector and the National Lottery. We have also noted with interest the DCMS Committee's report into the future of the National Lottery and will respond further to various recommendations going forwards.

The National Lottery is one of the world's largest lotteries and since launching in 1994, National Lottery players have collectively raised more than £47 billion for over 670,000 good causes across the UK, transforming lives and contributing to the arts, sport, heritage and communities.

The appointment of Allwyn Entertainment Ltd, as Incoming Licensee for the 4th licence, follows a successful, fair and robust competition which received four applications at the final stage, following seven initial submissions at the selection stage. This is the highest number of applications since the first National Lottery licence was awarded in 1994.

Allwyn has committed to investment in the National Lottery that is expected to deliver growth and innovation across the National Lottery's products and channels, resulting in increased contributions to good causes, subject to the protection of participants and propriety.

Recommendation 1: The Gambling Commission should, within six months of the licence process being complete, review its licence competition design process, highlighting areas of failure, and report back to the Committee with its findings. This should include an assessment of changes necessary to transparency and confidentiality rules to facilitate greater parliamentary oversight of the next licence competition.

The Gambling Commission is fully committed to providing a full assessment on lessons-learned for future competitions, including areas that the Committee has suggested and will provide this to the Committee when complete.

As the Committee is aware, litigation around the 4th licence competition continues and until such a point that litigation related to the competition process has concluded, it will unfortunately be too early to provide an assessment on lessons-learned for future competitions, as any such analysis risks compromising the

Gambling Commission's case. However, the Gambling Commission can commit to reporting back to the Committee on our review of the licence competition design process within six months of all such litigation coming to an end.

Nonetheless, it is clear that any licence which runs close to the 15-year statutory limit increases the risks of a gap in the operation of the National Lottery; as the 3rd licence did, primarily because of the four year extension previously agreed by the National Lottery Commission. That is why we have fixed the 4th licence term at ten years, with the option of a two-year extension for the purposes only of facilitating the next competition. This mechanism provides an additional three years in reserve, to cater for unexpected circumstances, such as those brought about by the Covid-19 pandemic.

Furthermore, we have noted a number of successes that we believe should be important factors for future competitions:

- Early , and wide, market engagement, including consultation with the market on policy and competition design
- Doing everything possible to level the playing field, including early, and thorough, disclosure of existing data / contracts
- Ensuring that essential contractual arrangements relating to the transition period (such as the Co-Operation Agreement and Enabling Agreement) are well developed, and parties have had the opportunity to engage on the content.

Recommendation 2: The Lottery operator and Gambling Commission should collect and share player data with the public, in order to enable independent research into the users of the National Lottery and the potential harms faced by different demographics. This should include frequency of play, types of game played and money spent, as well as demographic data.

The Commission recognises that it is appropriate to publish certain player information in respect of the National Lottery. The Commission undertakes consumer research to measure participation in National Lottery draw based games, scratchcards and online instant win games. The results of these surveys are published as official statistics on a quarterly basis. These statistics are broken down by different demographics. The Commission is currently developing a new Gambling Survey for Great Britain which will be launched in 2023. The survey will cover all aspects of gambling participation including questions about the National Lottery such as frequency of play, types of game played, and demographic data. The raw data from the Gambling Survey for Great Britain will be available on the UK Data Archive for further analysis by independent researchers.

The operator holds a range of data which it uses to ensure that players are protected. The Commission also requires the National Lottery operator to provide a range of data including performance indicators related to play (spend, frequency and game type) to help the Commission ensure National Lottery players interests are protected. This data is provided in an aggregated form for regulatory purposes; as it is not at the individual player level it would not necessarily be helpful for research purposes. It would also not be appropriate to share for commercial reasons. The National Lottery operates in a competitive marketplace, and the release of data relating to who plays which games, and where, would enable potential competitors to target National Lottery players (by demographic characteristics such as gender, location or age) for their own commercial advantage, disadvantaging the National Lottery and the good causes that rely on it.

Going forwards, the 4th licence does include, for the first time, explicit powers for the Commission, under clause 12.5, that states: ‘The Licensee must make anonymised and up-to-date Lottery Data (including Lottery Data gathered by Lottery Subcontractors) available to the Commission (or to any third party nominated by the Commission) in order to facilitate research into harm to Participants which might arise in connection with the National Lottery and gambling related harms.’

Recommendation 3: We recommend that the Gambling Commission commissions research into the gambling harms of National Lottery advertising and marketing, including any personalisation that may lead to the promotion of higher-risk products to vulnerable players. We would expect that to occur within the next six months and for the Committee to then be kept up to date on the details of the research and its findings and policy changes that will result from it.

The Commission works closely with the Committee on Advertising Practice (CAP) and Advertising Standards Authority (ASA) and a dedicated section of rules for lotteries advertising was introduced in 2009 by the ASA, which is closely aligned to the standards for gambling to maintain a consistent approach to protections.

The UK Advertising Codes were recently strengthened to introduce new controls - further limiting the appeal of gambling and lotteries ads to under-18s. Improved guidance on the protection of adults was also published. Both of these initiatives responded to GambleAware's research project on the impact of advertising in the UK context.

Compliance with the CAP Code is a condition of the 3rd National Lottery licence. The Gambling Commission has also monitored Camelot's actions to embed the updated CAP code for lotteries, including its test on 'strong appeal to young and vulnerable people'.

The Gambling Commission has commissioned and published a number of pieces of research into the impact of advertising and marketing. This includes in 2022, [the gambling journeys of young people](#), which explores early involvement with lottery products and [the impact of gambling marketing and advertising on children, young people and vulnerable adults](#). The Gambling Commission has recently signed a contract with a research organisation to continue vital consumer research of this type. We will publish the output of this research and update the Committee on any resulting actions in respect of the National Lottery.

In respect of personalisation, the Commission has previously ensured that the National Lottery operator communications with National Lottery players are in line with the Data Protection Act 2018 and Privacy and Electronic Communications Regulations (PECR) 2003.

The Gambling Commission imposed a financial penalty on the lottery operator in 2022 for failures linked to its mobile app which negatively impacted consumers, enabling the app to erroneously send out marketing messages to users who had either self-excluded through Gamstop or had been identified by the operator as showing signs of gambling harm. New controls and measures have been put in place to reduce the risk of a similar issue arising.

We would note that whilst personalisation has become more prevalent in recent years, the problem gambling rates for the National Lottery have remained stable and low. It is also worth reflecting that personalisation can also be used to help direct safer gambling interventions and messages at people at risk of suffering gambling harms. This type of personalisation is supported by the Commission, already used by the current National Lottery operator and embedded in the planning of the incoming licensee.

The 4th Licence (which has been published in draft form and shared with the Committee) sets out requirements for the Licensee to Protect Participants Interests. The overriding duty in Condition 8.1 requires the Licensee to do everything it can to ensure that the interests of every participant in respect of playing, engaging or being exposed to, the National Lottery and every game are protected. Condition 8.3 addresses preventing underage play, and Condition 8.4 addresses not encouraging excessive play. In addition, Condition 12.3 requires the Licensee to use lottery data to do everything it can to proactively identify and prevent harm to participants.

Conditions 4.3 to 4.5 also make clear that in addition to complying with law and regulation, the Licensee must comply, and must ensure that any Licensee Subsidiary complies with Best Practice and that this includes other regulators or public bodies such as CAP/ASA and their requirements. Under the 4th licence, it is our expectation that all Lottery products and marketing campaigns will be researched with consumers to understand their impact, both positive and negative. There will also be internal processes to ensure that products and advertising do not encourage excessive play or exploit vulnerable groups.

It is also worth noting that, under section 6 of the National Lottery etc. Act (1993), the Commission licence all individual National Lottery Games as well as those that are part of a classification of games (i.e. scratchcards). Section 6 Licences cover the design, promotion and conduct of games and through our assessment we scrutinise applications to robustly and objectively assess the proposals and assurances from the Licensee and ensure regard to the statutory duties. The Commission already scrutinises for novel or complex games or elements of games and will continue this work under the 4th licence.

Recommendation 4: We recommend that, with immediate effect, all National Lottery products should carry GambleAware branding.

The Commission requires operators regulated under the Gambling Act to provide information about the availability of help or advice on its products, but does not specify one organisation. We have previously engaged with commercial gambling operators regarding their advertising and it is part of our Licence Conditions and Codes of Practice that gambling operators abide by rules set by CAP/ASA.

The Commission agrees that National Lottery products should carry branding of relevant support organisations. Indeed, the National Gambling Helpline, run by GamCare and commissioned by GambleAware, are found on all Scratchcards and physical draw-based game tickets and every page of the National Lottery website.

Above and beyond the inclusion of branding, the National Lottery operator must produce and adhere to player protection strategies, which are approved by the Commission, to ensure players are protected.

Allwyn has a Participant Protection Strategy which they will monitor, evaluate and adapt throughout the 4th licence and Allwyn's Board has also adopted a Participant Protection Charter. The strategy includes establishing a responsible gaming framework through game design, advertising and marketing, and distribution, as well as embedding participant protection through risk assessment and management, communication and training and participant empowerment. The Commission will ensure the Licensee complies with its obligations to ensure the strategy is fit for purpose and is effectively implemented, maintained, complied with and reviewed annually.

Recommendation 5: We recommend that the Gambling Commission carries out an evaluation of the effectiveness of delivering the stated objectives of money raised through fines and given to third parties. This evaluation should then be published along with all relevant metrics and data.

We agree with the Committee that effective and transparent evaluation is important. Following enforcement action by the Commission, the possible outcomes include criminal prosecution, licence suspension and revocation as well as both financial penalties (fines) and regulatory settlements in lieu of financial penalties which may include a financial amount paid by the operator for socially responsible purposes.

The appropriate outcome depends on the facts of the case. Financial penalties are paid directly to the consolidated fund by the relevant operator in line with the Gambling Act 2005. Regulatory Settlements are paid by the operator for socially responsible purposes. It is important to note that the Commission does not handle the funds in either case. We cannot use regulatory settlements to fund Gambling Commission activity to administer or oversee regulatory settlements, and the Commission in no way acts as a 'commissioning body'.

Regulatory settlements can allow the Commission to avoid a formal licence review or to conclude such a review more swiftly than would often be the case but will only be appropriate where they meet the same appropriate regulatory outcome as a formal licence review. In making regulatory settlement decisions, the Commission acts in line with the Commission's Statement of Financial Penalties and Statement of Principles for Licensing and Regulation. These policies include for example that the Commission reserves the right to approve the destination of funds and that they should be used in the first instance to repay victims (for example a third party who has been the victim of theft).

As part of the Commission's process for reviewing regulatory settlement proposals, we consider a number of important aspects including whether there is sufficient oversight for the programme of work, and whether there are processes in place for evaluation of the project. Therefore, at the point of making a decision on whether a proposal meets the criteria for a settlement, the Commission assesses whether there is a process for metrics and evaluation.

We consider it appropriate that the organisations who deliver the projects [receiving such funds] retain oversight and responsibility [for their use] alongside their relevant standards or regulatory bodies. This avoids duplication of governance and oversight, and ensures that the Commission is focussed on delivering its own regulatory roles. For example, the body which has received most funding through regulatory settlements is GambleAware, which is responsible for appropriate evaluation and publishes such evaluation and impact assessments on its website.

Government is currently reviewing the position for funding of Research, Education and Treatment as part of the Review of the Gambling Act 2005. The Commission will take into account the output of the review in assessing the approval of payments for socially responsible purposes through regulatory settlements. This will enable us to ensure that any future regulatory settlements following enforcement action fit into the wider system for the funding of research, prevention and education with appropriate independence, oversight and evaluation in place.

Recommendation 6: We recommend that [this] loophole, which allows consumers to continue to gamble using credit cards, should be closed as soon as practicable, following discussions with retailers.

We appreciate the Select Committee's concerns regarding the potential for harm from the use of credit cards for gambling. It is already the case that under the 3rd licence, the National Lottery operator does not allow the use of credit cards to play the National Lottery online or via their app. The 4th licence will codify that position. The Commission banned the use of credit cards for the purchase of Society Lottery products by remote means (e.g. online or via telephone) as part of its wider credit card ban in April 2020.

Whilst we appreciate the Committee has concerns, the Commission established the current position on credit cards after consultation and stakeholder feedback, and considered how it should apply to the National Lottery. The position in respect of Society Lottery products bought in retail was considered as part of our consultation on this. In light of the stakeholder feedback provided to the Commission through that consultation, a different position was taken compared to other types of operator regulated under the Gambling Act, particularly on the basis of the practicality of differentiating between debit and credit cards where other products were being purchased alongside lottery ones. This was also against the backdrop of the lower risk posed by these lottery products, relative to other gambling products, as evidenced in research. We have not seen any substantive evidence to suggest that the current position is generating risks for or causing harm to National Lottery players, noting that no such evidence was presented to the Committee either within or in support of its report.

The current National Lottery operator has engaged with retailers and has updated the Commission accordingly. There continues to be significant complexity in prohibiting the use of credit cards for lottery products when a range of non-gambling products are also sold, either manually or technologically. It would also carry the risk that some retailers would stop selling National Lottery products, leading to an adverse impact on sales and returns to good causes.

The current operator operates in partnership with c.44,500 retail outlets and players often include a National Lottery product as part of a larger basket of goods with their groceries. Prohibiting retailers from accepting credit cards when a National Lottery product is being purchased would be highly complex to implement with significant practical implications for retailers. It has become commonplace in retail for the staff not to see the payment card that is being used as many transactions are carried out through contactless or mobile devices such as Apple Pay and Google Pay which take place in front of the till rather than on the staff side.

A clear strategy of the big supermarkets and in most retailers is the frictionless service they offer so a ban on the use of credit cards would impede these efforts by building queues and taking up staff capacity, requiring substantial investment in point-of-sale systems.

At this point in the 3rd licence period, with the current operator transitioning to a new operator, any major technology system changes to implement such a ban, and potential resistance from retailers may have an adverse impact on this transition.

However, Allwyn has indicated that there are plans under the 4th licence to address the specific issue of using credit cards in retail environments, which it is working through with the Commission.

As part of the new Gambling Survey for Great Britain and its role to provide better understanding of gambling participation and the prevalence of harm across all products in the commercial gambling and lotteries sectors, the Commission will look at including appropriate questions in order to assess the scale and significance of this issue going forwards and will revisit it if appropriate.

Conclusion

The Gambling Commission is grateful for the DCMS Committee's continued interest in the future success of the National Lottery and we welcome their work in this highly important area.

We remain confident that we have run a fair and robust competition for the 4th licence, and that we have appointed a licensee who will engage and protect players, run the National Lottery with integrity and subject to the former, maximise returns to ensure that the National Lottery can continue to support good causes and their contribution to society.

Our focus now is to ensure a seamless and timely transition to the next licence, for the benefit of participants and good causes. We remain committed to updating the Committee as and when we reach significant milestones.