

## Supplementary written evidence submitted by The Lotteries Council

### Prize Draws

On 26 April 2022, representatives of the Council and two of the larger lottery operators gave oral evidence to the Committee. A topic that did not arise in questioning was that of Prize Draws. This submission is therefore intended to inform the Committee about the differences between charity lotteries<sup>1</sup> and prize draws.

#### What is the difference?

The Gambling Commission defines a lottery as “a kind of gambling that has three essential elements:

- *payment is required to participate*
- *one or more prizes are awarded*
- *those prizes are awarded by chance.”<sup>2</sup>*

The terminology around Prize Draws is confusing. The Commission refers to “free draws”, of which there are two types:

- *“the first type is where all entries are free ...*
- *the second type has both a paid and a free entry route”<sup>3</sup>*

The Council has no issue with the first type. It is the second type, hereinafter referred to as Prize Draws, that the Council objects to.<sup>4</sup>

Like lotteries, in prize draws one or more prizes are awarded by chance. The key difference is that a “free” route of entry must be offered. Interestingly, “free” does not actually mean free as entry by ordinary post is considered the “normal” free route.

#### Implications

When a draw is classed as a “prize draw”, rather than a lottery, all the regulations and restrictions that apply to lotteries fall away. These can be summarised as follows:

Society lottery regulations	Prize draw regulations
All tickets paid for at exactly same price each	Some free tickets and some paid tickets, discounting permitted
Maximum £500,000 prize	No limit on value of prize draw
Prize worth no more than 10% of ticket sales	No ratio of prize to ticket sales
Maximum ticket sales of £5m per draw	No limit on number of tickets sold per draw
Maximum sales of £50m per annum	No annual turnover limits

<sup>1</sup> Formally known as Society Lotteries

<sup>2</sup> <https://www.gamblingcommission.gov.uk/licensees-and-businesses/guide/page/definition-of-a-lottery>

<sup>3</sup> <https://www.gamblingcommission.gov.uk/public-and-players/guide/page/free-draws-and-prize-competitions>

<sup>4</sup> To add further confusion, “Prize Competitions” tend also to be grouped together with Prize Draws – these are competitions where skill, judgment or knowledge determine the outcome, rather than chance. The Commission has issued guidance on the expected level of skill, judgment or knowledge

(<https://assets.ctfassets.net/j16ev64qyf6l/3pj85vOPWgkchLNLVUs9PV/92c9622bea378560e4ecb375e3f94364/Prize-competitions-and-free-draws-the-requirements-of-the-gambling-act-2005.pdf>) although this could be better policed.

Society lottery regulations	Prize draw regulations
Minimum 20% of turnover donated to charity	No requirement to donate to charity
Expensive license process for each society lottery in aid of named good cause; must be non-commercial and specifically not for private gain	Unlicensed prize draws permissible for entirely private gain
Subject to regulation by Gambling Act and Licensing Conditions and Codes of Practice	No regulation
Credit cards are not permitted	Can use credit cards to purchase tickets
Stricter rules apply for advertising society lotteries	Normal advertising rules apply for gambling product
Strict rules apply about safer gambling	Not considered gambling

For example, take the American for-profit company Omaze, presently advertising the chance to win a £3 million dream home in Cornwall on TV. One free ticket only can be obtained by putting a 68p second class stamp on a postcard and sending it to Omaze, (but can be done multiple times). Otherwise, options to buy tickets in the same draw range from £150 for 320 (47p each) to 15 for £10 (67p each). Omaze declares that for prize draws, 80% of “net proceeds” (ie proceeds after the deduction of the cost of prizes and marketing) is given to the nominated charity – but this is not legally binding and there is no regulator to ensure that this happens.

### The size of the problem

In a survey carried out for one of the Council’s members, Jumbo Interactive, Opinium Research found that 22% of adults in the UK had participated in a prize draw in the previous quarter, spending £18.70 on average. This amounts to £860m across the country per year, larger than the £832m for society lotteries according to the Gambling Commission latest industry statistics<sup>5</sup>.

Furthermore, that survey found that 8.3% of spending on prize draws was paid by credit card, equivalent to £71.3m per year. Credit cards are no longer permitted for use in any form of gambling, including charity lotteries.

### The National Lottery

Camelot, the current holder of the licence to operate the National Lottery, has repeatedly insisted that the growth of the Charity Lottery market, and particularly of the largest Charity Lotteries, is a threat to the health of the National Lottery and in need of urgent attention, despite all the evidence to the contrary<sup>6</sup>. In their response to the Government’s proposals to raise the sales and prize limits that apply to charity lotteries, Camelot stated that *“The proposed reforms could have a severe and irreversible negative impact on The National Lottery model and Licence to operate, now and in the future”*<sup>7</sup>. They went on to oppose any increase in prize limits, arguing that that would risk *“further cannibalising sales of National Lottery products”*<sup>8</sup>. *“Life-changing prizes are the preserve of the National Lottery”*<sup>9</sup>, they argue. Clearly, however, prize draws are offering “life-changing prizes” and

<sup>5</sup> <https://www.gamblingcommission.gov.uk/statistics-and-research/publication/industry-statistics-november-2021>

<sup>6</sup> See the Lotteries Council’s earlier submission to the Committee <https://committees.parliament.uk/writtenevidence/108491/html/>

<sup>7</sup> [https://data.parliament.uk/DepositedPapers/Files/DEP2019-0913/Camelot\\_response\\_DCMS\\_consultation\\_on\\_society\\_lottery\\_reform.pdf](https://data.parliament.uk/DepositedPapers/Files/DEP2019-0913/Camelot_response_DCMS_consultation_on_society_lottery_reform.pdf)

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

yet Camelot appears to have no interest whatsoever in these. Attempts by the Council to engage with them on this issue have been rebuffed.

### What can be done?

Given that society lotteries exist to raise funds for good causes, whilst still being heavily regulated so as not to compete with the National Lottery, it is difficult to understand how a free ticket entry alongside paid for plays legitimises prize draws from being removed from any other restrictions. It might be perfectly reasonable as a marketing tool for a company to offer all purchasers of a product a free entry into a prize draw when purchasing the same-priced product, but when some tickets for the same prize draw are separately purchased it surely becomes an entity that has the same characteristics as a lottery.

The Gambling Commission seeks to protect the legitimate lottery sector (and other legitimate gambling sectors) from illegal or black-market gambling. This is part of their function as a regulator. However, the table above shows that the legitimate lottery sector requires protection also from legal forms of activity that are barely distinguishable from gambling. Whether prize draws are to continue to be legal and outside Gambling Commission regulation is a matter that should be fully considered in the Gambling Review.

7 June 2022

END OF SUBMISSION