

The Gambling Commission's Call for Evidence: Gambling with Credit

Citizens Advice response
May 2019



Summary

Citizens Advice helped people with 750 gambling related issues between April 2018-2019. Clients who come to us for gambling related support are often experiencing related problems such as debt, housing, decreased mental wellbeing, and relationship and family issues.

Citizens Advice provides professional advice and holistic support to those affected by gambling. Citizens Advice Newport established the Gambling Support Service in January 2016 as part of a project funded by GambleAware. During the first 2 years of the project, it has supported people worried about gambling and trained in excess of 1,500 professionals in gambling-harm minimisation. Following the success of the pilot, we have now established a national partnership with GambleAware to deliver the Citizens Advice Gambling Support Service. This is being delivered in 10 local Citizens Advice offices in England and a further 2 in Wales will be operational by July 2019.

The Responsible Gambling Strategy Board (RGSB) advised the Gambling Commission that the use of credit cards for online gambling should be banned. This is based on the key principle that “gambling with borrowed money significantly increases the risk that consumers will gamble with more money than they can afford.”¹ In response, the Gambling Commission has put out a call for evidence to establish the scale of the problem and explore possible consequences of the ban.²

Gambling with credit is risky as it can encourage people to gamble beyond their financial means. People who gamble with credit may also have to pay interest on this credit and further weaken their overall financial situation. We recognise that banning credit cards could risk people turning to higher cost forms of credit, such as payday loans to fund their online gambling. Yet, we think the additional difficulty of accessing credit to gamble online by blocking the use of credit cards will on balance, decrease the problems associated with online gambling.

Citizens Advice supports the ban on credit cards for online gambling. We believe gambling with credit cards can cause devastating effects for both the gambler, and their families, friends and co-workers.

¹ <https://consult.gamblingcommission.gov.uk/author/callforevidencegamblingoncredit/>

² <https://consult.gamblingcommission.gov.uk/author/callforevidencegamblingoncredit/>

5. Do you have any comments on the risks and concerns associated with gambling with credit cards?

Citizens Advice offers free confidential advice to people affected by gambling. In 2018-2019, we helped people on 750 gambling issues and provided support for problem gamblers and those affected by their actions. Our clients' stories also give us unique insights into the nature of harm caused by gambling with credit cards.

In January 2018 we produced a report about people's experiences with gambling. Our findings were based on a survey of more than 1,500 people affected by their own or someone else's gambling, and interviews with 35 people about their experiences of gambling-related harm.

Nearly half of the gamblers we surveyed used credit cards (49%) to fund their gambling.³ These findings show how common using credit cards for gambling is. The risks associated with this type of gambling therefore apply to a significant proportion of gamblers.

The financial impacts of online gambling

The Gambling Commission have drawn attention to the financial implications of gambling with credit cards in their call for evidence. They note that gambling transactions with credit cards are treated as a cash advance, so face high fees and interest rates. Gambling transactions also have the potential to damage credit scores because these types of transactions are looked upon negatively by lenders. The Gambling Commission also finds that gambling with credit encourages people to spend money they don't have:

'Any consumer using their credit card for gambling may be doing so in the absence of having enough funds in their own bank account.'⁴

We found our clients experienced similar financial difficulties as a result of funding their gambling habits using credit cards.

³<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Out%20of%20Luck.pdf>, p. 10

⁴https://consult.gamblingcommission.gov.uk/author/callforevidencegamblingoncredit/supporting_documents/Print%20the%20whole%20consultation%20Call%20for%20evidence%20gambling%20on%20credit%20cards.pdf, p. 6

Khalil told us his credit card company is charging him interest on gambling transactions that took place about a year ago. He estimates that he won more than he spent, and all winnings went back onto the credit card account. He states his credit card company did not consider his winnings going as cash payments, but as refunds from the gambling company. This means he's still paying off interest on about £1,000 owed on the credit card in question.

The financial issues caused by online gambling with credit cards are not limited to the person who gambles. Gamblers' families and friends can also be affected, which places relationships under strain.

Glyn's mother asked us to visit him at home to help with his gambling debt and talk about the impacts on his family. Glyn told us he has spells where he binges, drinks lots of alcohol and gambles. This has resulted in a credit card debt of more than £2,000 and no money to pay for his ongoing responsibilities, such as car insurance or road tax, so his mum has been paying these to ensure he is legal and covered. We talked to him about getting help with his binges, which we decided they could be addictions. Glyn told us he'll go to the GP to discuss his binges and seek help.

We also found that people in vulnerable situations, such as those with existing mental health conditions or other addictions, were using credit cards to gamble away money they didn't have. Often at times when their condition was at its worst. Research by Money and Mental Health Policy Institute has shown that up to 93% of consumers with mental health problems find themselves spending more while unwell.. Around a quarter of problem gamblers are receiving medication, counselling or therapy for a mental health or emotional problem - compared to 7% of those with no indicators of problem gambling.⁵

People like Michelle's brother who are in vulnerable situations are not protected by the current system which makes it possible to gamble this amount in such a short space of time.

Michelle came to us after her brother suffered an acute episode which led him to take out a high interest loan and credit cards. He gambled away £60,000 in 2 days and told his GP that he just believed that it didn't matter as he would no longer be alive. We gave Michelle advice about dealing with mental health and debt and she decided to encourage him to make an appointment with us to talk through debt management.

⁵ Money and Mental Health Policy Institute, Review of Gaming Machines and Social Responsibility Measures, February 2017

The non-financial effects of online gambling

Gambling with credit cards doesn't just have negative financial effects for our clients. Many Citizens Advice clients found that the accumulation of gambling debts has had detrimental effects on their mental wellbeing.

Ryan started online gambling 2 years ago and now has huge debts including a £9,000 debt from credit cards. He's been feeling depressed because of this, so self-medicates with alcohol and then gambles whilst drunk. Ryan serves in the army and is too nervous to disclose his debt to his welfare officer as he fears he'll be dismissed. He feels he has reached rock bottom and wants to know how he can get out of his troubles. We gave Ryan details of several helplines, including Gam Care, and template letters to send to his creditors to ask them to suspend interest whilst he takes advice on his debt.

Gambling online with credit cards can also lead to financial abuse. This happens if a person fraudulently uses other people's credit cards to fund their gambling. This can cause a breakdown in the relationship with the person whose credit card was used and can result in further issues for the gambler, such as homelessness.

Jordan is currently staying at a friend's house after being asked to leave the house that he shares with his partner and 3 children following arguments about his gambling, loss of his job and the significant debt he has accumulated. His debt amounts to £34,000 across 6 credit cards and his partner also has £6,000 of credit card debt which he has racked up in her name. Although he's been able to bridge the short term gap by borrowing money from his parents, Jordan wants help with his addiction and debt problems.

6. Do you have any comments whether on balance, and given those concerns, the Commission should consider prohibiting or restricting credit cards for gambling?

Citizens Advice welcomes the proposal to prohibit credit cards for online gambling. Our clients' stories show the type of life-changing effects that problem gambling with credit can cause. When a person uses credit to gamble beyond their financial means, they increase their chances of getting into serious debt and experiencing mental health problems. We have also seen gambling with credit lead to financial abuse, as people can take out credit in someone else's name. This damages relationships and leads to even more people falling into debt.

75% of the gambling cases that Citizens Advice helped with last year included issues about debt.⁶ So banning credit cards for gambling would play an important part in reducing this debt for our clients and prevent indirect harm, such as homelessness and relationship breakdowns.

7. Do you have any comments on the potential pitfalls of prohibiting or restricting the use of credit cards for gambling?

If people can't use credit cards they might turn to riskier forms of credit. Our research showed that out of the 400 people we surveyed who had a current gambling problem, 170 used credit cards. However, 108 had used a payday loan and 63 used unauthorised overdrafts. These figures show that although credit cards remain the most common form of credit, many people also turned to riskier funding sources.⁷

Out of the participants in our study, 400 were current gamblers. We asked them how they funded their gambling.

Funding source	Number of people (could choose multiple options)
Credit card	170
Payday loan	108
Authorised overdraft	137
Unauthorised overdraft	63
Loan shark	18
Credit in someone else's name	17

However, we believe that the benefits of a ban on credit cards for online gambling outweigh these risks. Our study on people's experiences with gambling found that nearly a quarter of the gamblers in our survey (24%) told us they had behavioural traits or personality disorders which made them more likely to be impulsive and develop a serious problem.⁸ These people are more likely to gamble whilst in a disassociated 'hot' state - in which people find it harder to control their gambling behaviour. In this state, gambling beyond one's means is also more likely than if in a 'cold' state.

⁶ Citizens Advice issue data from April 2018-2019.

⁷<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Out%20of%20Luck.pdf>

⁸<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Out%20of%20Luck.pdf>

Research by the Behavioural Insights Team contends that introducing friction (e.g. making it harder to deposit money for gambling) can move people from being in a 'hot' to a 'cold state'.⁹ The Gambling Commission take a similar view, as they state: 'While removing such a facility might not eliminate the risks of players getting into debt from gambling, it may at least create a level of disruption in the player's gambling activity to facilitate better self-control.'¹⁰

8. Do you have any evidence or suggestions for any measures that could act as alternatives to a prohibition on credit card use for gambling, and which could provide more effective protection to consumers who are at risk of harm due to gambling with money that they can't afford?

A prohibition on credit card use for online gambling should be enforced. There are, however, additional measures that should be introduced to alleviate the harm caused by gambling with credit.

1. The Gambling Commission should ensure that operators conduct affordability checks when people deposit money on online gambling websites.

- In 2018, the Gambling Commission proposed that providers introduce affordability assessments at the point of depositing money.¹¹ These affordability assessments should involve, as a minimum, obtaining proof of monthly income and expenditure.
- Gambling operators should check whether monthly income and expenditure provide adequate income for people to be depositing the sum of money proposed.

2. All banks should enable people to initiate a gambling block against all gambling firms.

- Barclays, Monzo and Starling already have function to block transactions with gambling sites. In addition, Santander, Royal Bank of Scotland, Lloyds and Halifax are looking into ways to help customers control the amount they spend on gambling.¹²
- This block should be provided by all banks and should include a 24 hour cooling off period to ensure people can provide adequate attention to their actions.¹³

3. Banks should intervene if people show risky patterns of gambling play.

⁹ https://about.gambleaware.org/media/1869/gambleaware-phase-iii-report_updated-v1.pdf, p. 57

¹⁰ https://consult.gamblingcommission.gov.uk/author/callforevidencegamblingoncredit/supporting_documents/Print%20the%20whole%20consultation%20Call%20for%20evidence%20gambling%20on%20credit%20cards.pdf, p. 9

¹¹ 2018, [Gambling Commission makes online gambling safer](#)

¹² <https://www.moneysavingexpert.com/news/2019/01/more-banks-plan-gambling-restrictions/>

¹³ <https://monzo.com/blog/2018/06/19/gambling-block-self-exclusion/>

- Banks have valuable intelligence on their customers' transactions, and as the FCA has proposed they are expected to have a 'duty of care' to their customers. As a result, when they see patterns of problematic gambling they should intervene.
- The ease of access to other forms of credit, such as overdrafts, was identified as an issue by some gamblers we interviewed. They wanted providers to intervene: "It would be helpful if they did intervene because sometimes you can completely lose it." - current female gambler.¹⁴
- This could be done via a text from the current account provider to checking if this spending is by the customer, and whether they'd like to continue spending in this manner. This might support gamblers to move out of a 'hot' state, and into a cooler and more reflective approach to gambling online.

¹⁴<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Out%20of%20Luck.pdf>

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