

**MONEY**  
ADVICE TRUST

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BUSINESS  
DEBTLINE

NATIONAL  
DEBTLINE

WISER  
ADVISER

# Consultation response: Gambling Commission Gambling on credit cards

Response by the Money Advice Trust

Date: May 2019

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# Introduction

## About the Money Advice Trust

The Money Advice Trust is a charity founded in 1991 to help people across the UK tackle their debts and manage their money with confidence.

The Trust's main activities are giving advice, supporting advisers and improving the UK's money and debt environment.

In 2018, our National Debtline and Business Debtline advisers provided help to more than 204,000 people by phone and webchat, with 1.7 million visits to our advice websites.

In addition to these frontline services, our Wiseradviser service provides training to free-to-client advice organisations across the UK and in 2018 we delivered this free training to over 820 organisations. Furthermore, Money Advice Trust Training and Consultancy services have worked with over 224 commercial organisations to identify and support their customers in vulnerable circumstances.

We use the intelligence and insight gained from these activities to improve the UK's money and debt environment by contributing to policy developments and public debate around these issues.

## Public disclosure

Please note that we consent to public disclosure of this response.

# Introductory comment

We welcome the Gambling Commission call for evidence on gambling on credit cards. We believe that there is likely to be a strong connection between gambling related harm and the use of credit cards for gambling.

We firmly believe that the Commission should consider prohibiting or restricting the use of credit cards for gambling. The issues identified in the paper relating to credit card use clearly demonstrate a strong potential for on-going consumer detriment from the status quo.

We agree that the Commission should publish specific proposals for consultation following an analysis of the call for evidence, and the outcome of related research.

We have responded to the specific questions set out in the paper below.

## Our statistical information

We find it difficult to establish the extent of gambling amongst our clients in debt due to what we suspect to be substantial under-reporting.

At National Debtline and Business Debtline we ask if callers have gambling debts. However, the statistical results from our cases show that less than 1% of our callers have gambling-related debts. However, there is generally a problem with disclosure by clients with a gambling issue. Also, most gambling debts can be “hidden” as other types of debt such as credit cards etc. so we believe that the figures could easily disguise a very real problem.

We also run a quarterly survey of callers where we ask a group of random clients for their feedback about the service. We ask about the reasons they feel that they got into debt. Typically, up to 1.9% of those surveyed say that one of the reasons they are in debt is due to gambling.

To demonstrate that it is very likely that gambling issues are being under-reported, we carried out a small experiment. For the month of April 2019, we asked our team that deals with debt relief order applications, to record anonymously whether there was any evidence from bank statements of applicants of gambling activity. The results showed that nearly 15% of clients had bank statements that showed some evidence of gambling activity, typically online betting, bingo or the lottery. We would suggest that this is a significant percentage as compared to our general statistical findings, although it is not evidence that all the gambling activity recorded was directly causing harm to that individual.

Our recent report “A decade in debt”<sup>1</sup> shows that 35% of our National Debtline clients had debt with credit and store cards in 2018, with callers owing £2,370 on average. Whilst this is a huge drop from figures in 2008 where nearly 70% of callers had credit card and store card debt, we can see evidence that credit card debts are once again on the rise (up to 37% in quarter one of 2019). What we cannot tell, is how much of this credit card debt relates to gambling.

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<http://www.moneyadvice Trust.org/researchpolicy/research/Documents/Money%20Advice%20Trust,%20A%20decade%20in%20debt,%20September%202018.pdf>

## Our research

The Trust worked in partnership with Bristol University Personal Finance Research Centre and the Money and Mental Health Policy Institute to produce a report in 2018 on Vulnerability-the experiences of debt advisers.<sup>2</sup> This report was the result of an extensive survey of debt advisers which found that in many cases gambling and other addictions are not disclosed to advisers. The report sets out how gambling is under-reported to advisers and sets out the effects as follows.

*“However, while not unfamiliar, addiction can represent a challenge to advice provision as it:*

- 1. is often not disclosed or obvious*
- 2. may even be actively hidden from an adviser (making it difficult to discuss appropriate, affordable and sustainable solutions)*
- 3. can rapidly drain a client’s finances, making it difficult to make realistic, sustainable plans*
- 4. can destabilise and disrupt a client’s ability to stick to an agreed schedule with an adviser (which can lead to cases being closed)*
- 5. can impact on a client’s health, family, work, education, legal standing, or wider community*
- 6. and is rarely a ‘one-off’ problem –immediate and longer-term needs will exist, and clients will have successes and set-backs.”*

The report then sets out a range of good practice options for advisers to use with clients who have gambling or other addiction issues.

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<sup>2</sup> <https://www.bristol.ac.uk/media-library/sites/geography/pfrc/pfrc1807-vulnerability-the-experience-of-debt-advisers.pdf>

# Responses to individual questions

## Question 1: What is your name?

Meg van Rooyen, Policy Manager

## Question 2: What is your email address?

[Meg.vanrooyen@moneyadvicetrust.org](mailto:Meg.vanrooyen@moneyadvicetrust.org)

## Question 3: Please indicate which organisation you belong to?

Money Advice Trust  
21 Garlick Hill  
London EC4V 2AU

## Question 4: Privacy notice

I CONSENT to the publication of my name and organisation to indicate I responded to this consultation

Yes

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

We agree that the data in the paper and the Citizens Advice report<sup>3</sup> suggests that is likely to be a strong correlation between credit card use and gambling-related harm.

We are very concerned by the way in which gambling on credit cards is treated by credit card providers as a cash advance rather than an ordinary credit card transaction. The fees and interest rates that apply to cash advances are substantially higher than those that apply to a credit card purchase. We wonder if a consumer using their credit card for gambling would even be aware of how such a transaction will be treated. It certainly would appear questionable as to whether a consumer would make a rational decision to use their credit card in this way rather than take cash from an ATM at no cost.

This rather implies that the main reason for acting in this way would be that the consumer is unaware of how expensive this form of borrowing will be. Alternatively, it is possible that even were consumers are aware of the cost; they go ahead anyway because they do not have enough money in their bank accounts to fund their gambling otherwise. People who use credit cards in this way are clearly at risk of going into debt to fund their gambling. The higher fees and charges that the consumer incurs for using their credit card are only going to exacerbate their potential debt problems. They will not only have incurred a credit card debt, but this debt will be growing at a faster rate due to the extra fees and charges being added. This can help to lead the consumer into a debt spiral.

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<sup>3</sup> The Citizen's Advice report 'Out of luck'

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

We also note that there are additional financial pressures being stored up for the future due to gambling transactions on a credit card detrimentally affecting peoples' credit score. Again, it is unlikely that consumers will be aware that a gambling transaction on a credit card will have a negative effect on their credit score.

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

We firmly believe that the Commission should consider prohibiting or restricting the use of credit cards for gambling. The issues identified in the paper relating to credit card use clearly demonstrate a strong potential for on-going consumer detriment from the status quo.

We agree that the Commission should publish specific proposals for consultation following an analysis of the call for evidence, and the outcome of related research.

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

- **In particular, do you have any views on the risks of consumers trying to access other forms of lending for gambling (such as payday loans or overdrafts) should credit cards not be available for them to use?**
- **Do you think the possibility of those risks alone is a sufficient reason for the Commission to continue to permit the use of credit cards for gambling?**
- **Have you ever used a credit card for gambling either primarily or partly because of the protection afforded by the Consumer Credit Act (ie credit card deposits greater than £100 are likely to be protected in the event of operator insolvency)?**

We appreciate that there is a risk of consumers trying to access other forms of lending for gambling. If someone is determined to gamble, they will no doubt do all they can to obtain the funds to do so. However, this is not sufficient justification to allow the status quo to continue in relation to credit cards. We therefore do not think the possibility of the risks in a rise in other forms of harmful borrowing identified is a sufficient reason for the Commission to continue to permit the use of credit cards for gambling.

In addition, the possible restrictions in relation to credit card lending are only part of the picture of regulatory action that must be taken to tackle gambling-related harm. We welcome the plan for a new National Strategy to reduce gambling harms which has now been published. This will need to look at prevention, as well as treatment, starting with the recognition of gambling harm as a public health issue. We support regulatory action in relation to gambling harm such as controls on advertising, rather than voluntary action by individual firms, or an expectation that individuals can stop their own gambling behaviour through the use of preventative tools.

It appears to be a common warning given against restricting the use of some forms of credit, that this restriction will prompt desperate applicants to turn to high-cost credit or illegal forms of lending. It is possible to argue that restricting access to some forms of credit would essentially make some people better off than if they had taken out the credit. The FCA found in its Review of the high-cost short-term credit price cap that despite industry dire warnings, there was no evidence that the payday loan cap had resulted in people turning to illegal money lenders.<sup>4</sup>

*“1.17 We found no evidence that consumers who have not been able to get HCSTC products since the cap have generally had negative consequences as a result. The majority (63%) of consumers turned down for HCSTC products since the cap was introduced believe that they are better off as a result. We have not seen a significant ‘waterbed effect’ with consumers increasing their use of other high cost credit products after failing to get a HCSTC loan. We also found no evidence that consumers who have been turned down for HCSTC are more likely to have subsequently used illegal money lenders.”*

We would welcome further research specifically relating to gamblers and their use of credit, particularly amongst young men. As it is possible that gambling behaviour is fuelled by extra levels of desperation, this group may be more at risk of taking out more risky forms of credit and experiencing high levels of gambling-related harm.

Other forms of credit generally involve an application process that builds in a delay between the time of the application and obtaining the funds. As the paper says:

*“...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, thereby enabling them to reflect on their decision-making before they consider applying for a loan or overdraft.”*

We cannot comment on whether people may use a credit card for gambling because of the extra protections under the Consumer Credit Act 1974. However, we would be surprised if there is any evidence that this is a factor in people’s thinking. People are not always aware of their consumer rights and protections when making calm and considered financial decisions. It is therefore unlikely that the Consumer Credit Act will be at the forefront of people’s minds when using a credit card to gamble.

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<sup>4</sup> <https://www.fca.org.uk/publication/feedback/fs17-02.pdf#page=5>



## **Question 8: Do you have 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 they cannot afford?**

### **List of possible alternatives to prohibiting or restricting credit card use**

- **Allowing customers to block their cards for gambling.**
- **Operators could impose restrictions on the use of credit cards by their customers**
- **The use of operator-imposed account limits that can only be amended once information about the consumer has been verified**
- **Warning messages at the point of deposit**
- **Operators could take specific account of credit card usage as a key factor in their risk assessments.**

### **What are your views on the alternative measures suggested?**

We would welcome all these alternative measures, as they may have some effect on the gambling behaviour of some consumers. However, we are not convinced that these measures will be sufficient to prevent harm from the use of credit cards for gambling, even if they are all adopted. In addition, there are drawbacks to each of these options identified in the paper which mean that their effectiveness may be limited.

In particular, remedies that rely upon people to take control of their own behaviour may have limited effect. It is clearly important that consumers should be able to block their own cards or limit their usage, but people at high risk of gambling-related harm may well not take up such options. Warning messages will have little effect on changing behaviour, where someone is at risk of gambling-related harm and are determined to take a particular course of action.

We note that placing restrictions on the amount of fees and charges that credit card providers may charge is not on the measures listed. It may be the case that changing the status of credit card usage for gambling could alleviate the speed at which the credit card debt could snowball. However, it is also possible to argue that this would constitute a “reward” for gambling behaviour.

### **For more information on our response, please contact:**

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