

888 to pay record £7.8 million penalty package after Gambling Commission finds failings around vulnerable customers

The British Gambling Commission ('GC') announced on 31 August 2017 that 888 UK Limited is to pay a record penalty package of £7.8 million, resulting from its "serious failings" in respect of vulnerable customers.

During a licence review of the operator, the GC found that a technical error in 888 systems meant that more than 7,000 customers who had opted to self-exclude themselves from gambling on 888's sport/poker/casino platform were still able to access their accounts on 888's bingo platform; the GC commented that though 888 had established self-exclusion procedures, these were found to be "not robust enough." Further, the GC found that an individual customer had managed to stake over £1.3 million, £55,000 of which was stolen from their employer, over a 13 month period. The GC noted that 888 had failed to recognise the signs of the customer's problem gambling and its lack of interaction in regards to this customer "raised serious concerns about 888's safeguarding of customers at-risk of gambling harm."

"The key lesson here is test your systems. Get your staff to set up as customers, act like problem gamblers and self-exclude. Then try and gamble. See if they can and see if they get marketing messages. Offer them a reward if they can prove the system isn't working. Take that reward out of the pay packet of the person ultimately responsible for the system working!" said Steve Donoghue, Gambling Consultant. "In my experience of working with a number of compliance clients their belief that their system works is purely based on the fact they haven't been caught out." "Clearly it is important to ensure that self-exclusion systems for different product verticals are integrated, which should also be a priority for post-merger integration planning in this continuing period of industry consolidation," adds Andrew Danson, Partner at Bird & Bird.

The £7.8 million penalty package includes £62,000 compensation to the employer of the problem gambler highlighted by the GC, £4.25 million to a socially responsible cause, and £3.5 million back to self-excluded customers.

Despite the size of the penalty package, 888 Holdings Plc saw its stocks rise on the date of the announcement, as concern

that the review might result in 888 losing its licence gave way to relief. "888's licence review came along at just the wrong time, providing the GC with the ideal opportunity to bare its teeth and hit 888 with by far the biggest financial penalty it has ever imposed so, in that respect, 888 did not get off lightly," believes David Clifton, Director at Clifton Davies Consultancy Ltd. "The licence review did not result in a formal warning, suspension or even revocation of the licence - the other sanctions available to the GC under S116 of the Gambling Act," adds Andrew Tait, Partner at Gordon Dadds. "Given the seriousness of the breaches of social responsibility codes, which constitute criminal offences and the number of customers involved over an extended period these formal sanctions could well have been used by the GC given the repeated warnings to UK licensed operators in the past two years."

The penalty comes amidst a focus on social responsibility from the GC, spearheaded by its revised enforcement policy, implemented this summer. "I doubt 888 will be the only company to be targeted by the GC," said Warwick Bartlett, CEO of Global Betting & Gaming Consultants. "I expect to see more so as to create the right political climate on the lead up to [the national online self-exclusion scheme] Gamstop being introduced." Carl Rohsler, Partner at Squire Patton Boggs, comments that "We have seen, over the last months, what I consider to be a worrying trend of fines heading first into the hundreds of thousands and then into the millions, compared with only a few thousands in the years before. Whilst the GC made clear that it was going to take a stiffer attitude towards enforcement, which was probably justified, one has to ask whether the pendulum has swung too far in the other direction. I think that we need clearer rules about what is the primary purpose of a financial penalty - to compensate the wronged, contribute to problem gambling charities, remove windfall gains, finance the GC's activities or simply punish and deter. It can be any one of those, but perhaps it ought not to be all of them at once."