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CEO Breakfast briefing - Neil McArthur November 2020

Hello everyone. And thank you for joining us this morning, on the eve of Safer Gambling Week.

It's a little over a year since many of us gathered at the Southbank Centre at our first CEOs' briefing.

And it's a little over two years since I spoke at my first Raising Standards conference as the newly appointed Chief Executive of the Gambling Commission.

This morning I want to do three things:

- First, I want to look back at the progress that has been made over the last two years – because significant progress has been made, which can get overlooked.
- Second, I want to talk about where we are now.
- And finally, I want to look ahead and say a bit about our plans for the future.

Raising standards 2018

When I spoke, two years ago, I said:

- I wanted customers in Britain to be able to enjoy the fairest and safest gambling in the world.
- I wanted National Lottery players to enjoy the fairest and safest lottery in the world.
- And I wanted the Gambling Commission to be the most respected gambling regulator in the world.

I also made it clear that I needed your support to achieve those aims and I asked you:

- To work together to make sure you are the fairest and safest gambling operators in the world.
- To work with us to put customer enjoyment and safety at the top of your agenda.
- And, to collaborate with us and each other to accelerate progress so we can demonstrate tangible improvements for customers.

I also made a promise.

I promised that the Commission would deal firmly with any operator that tried to bend the rules, because competing on the basis of having lower standards than other operators was simply unacceptable.

I think we have kept that promise over the last two years – a number of operators who cannot meet our standards have had to leave the British market.

First and foremost, that is a good outcome for customers.

But it should also be a good outcome for those of you who have shown a willingness to join in a race to the top – and many of you have shown that you want to join us on that journey.

CEOs' Briefing at the Southbank Centre 2019

When we came together at our first CEOs' briefing 12 months ago, I talked about the progress that had been made in the previous year on:

- markers of harm
- customer interaction
- affordability checks.

I also set out 3 challenges where I could see an opportunity for operators to collaborate to accelerate progress in key areas of customer risk – and I will speak a bit more about them in a moment.

None of us knew then what challenges 2020 had in store for us. I am well aware of the enormous problems that operators face, especially those offering facilities for gambling in premises. I have spoken to many of you about the difficult issues you are having to deal with.

Closer to home, whilst the Commission has also faced tremendous challenges, I am incredibly proud of how my colleagues have been able to adapt and respond to events.

In some ways we were well prepared, as we had recently run a business continuity event about how we would manage a pandemic.

Even so, the scale and length of disruption has been greater than we envisaged, and our ability to flex and respond and take action to protect customers is a testament to the commitment and talent of the team at the Commission.

But most importantly, I am acutely aware of the potential impact the Covid-19 pandemic has had on customers and the public.

I hear respected experts talking about 'a perfect storm' of isolation, uncertainty and vulnerability that is likely to lead to increased levels of addiction.

I know, from our partners involved in treatment and support, that demand for their services plummeted at the beginning of lockdown, and that whilst the numbers of people seeking support are returning to pre-lockdown figures the expectation from some providers is that there will be a surge in numbers seeking support in the months ahead.

That bothers me and it should bother you.

We have to do everything we can to build on the progress we have made, as I am sure none of us wants to see data that suggests the global COVID-19 pandemic will be followed by an increase in gambling addiction. We must do everything we can to prevent that.

Customer safety always has been, and always will be, at the forefront of the Commission's work:

- It is why, during the first lockdown, we brought in new guidance to protect customers and make gambling safer.
- It is why we have been carrying out monthly customer research and data requests from operators and publishing the results.
- It is why we have developed and published our first National Strategic Assessment.
- It is why we sent out warnings at the start of the national lockdown and again recently, because really knowing your customers and protecting them has never been more important.
- And, it's why we welcome and support safer gambling week.

So, in the next few minutes, I want to spend some time:

- Looking back on the industry challenges I set last year and how you worked with us on them.
- Assessing where we are now, based on the National Strategic Assessment and how Covid-19 has changed gambling.
- I then want to look forward to some of the issues and opportunities on the horizon.

The Three Industry Challenges

I think I can safely say that my invitation to operators to collaborate with us on the three industry challenges was not a universally popular decision.

Many people were sceptical. Some others were openly critical of the Commission for embarking on this experiment. I was even accused of letting operators regulate themselves, which was never the case.

But whichever way you look at it, it was a novel and slightly risky thing for a regulator to do and I was asked a lot of questions about it.

When asked, I said that I was prepared to work with anyone who shared the Commission's desire to make gambling safer, which is what we have been doing and what we will continue to do.

So, was it worth the risk? I think the short answer is yes.

Despite the criticism and the scepticism, working together has allowed us to make that quicker progress on the important issues, such as:

- Product Design.
- Ad Tech.
- And the management of High Value Customers.

Moreover, whilst it has not yet reached a conclusion, we have made progress on the Single Customer View project and we are determined to push that work through to a conclusion because it would be an absolute game changer in terms of customer protection.

Let's look at each challenge and start with Product and Game design

I have to be honest and say that whilst progress was made in the industry groups – candidly - it didn't go as far as we would have liked, which was a shame.

We do need to go further, which is why we have followed up the industry groups' work with our own consultation. We will publish the results of that consultation soon.

I also know that the work didn't go as far as some of you would have liked and I know some of you had the appetite to go further and faster. We share that ambition, but we also want to acknowledge that progress was made.

I want to say thank you to the operators who participated in that work; to the Betting and Gaming Council for supporting the online work; and to the other trade associations for their assistance taking the land-based version forward.

On the subject of gaming machines, I also want to acknowledge an unexpected, but nevertheless very welcome, by-product of the product and games design work, which has been the establishment of another working group to look at issues relating to gaming machines.

Bacta are leading this work, and I know the Bingo Association are actively involved in it, and the working group is considering how game content for machines could be improved through design to make them safer for customers.

I would also like to acknowledge Bacta's decision to voluntarily raise the age limit for players on Category D cash fruit machines found in their seaside arcades and family entertainment centres to 18.

Ad-Tech

Twelve months ago, I challenged operators to use Ad-Tech to target online advertising *away* from u18s and vulnerable adults. I'm pleased to say that a range of new commitments emerged from that work including:

- shared negative keyword lists
- a 25+ age approach to prospecting ad campaigns on social media
- better and more consistent use of customer data to ensure paid-for ads are targeting away from vulnerable groups, instead of targeting for business.
- And, age gating YouTube channels and content has now been codified in an updated version of the Gambling Industry Code for Socially Responsible Advertising.
- I am also pleased that a BGC-led AdTech Forum will continue to explore further opportunities in this area and we welcome that.

Finally, VIPs / HVCs

The third challenge we set 12 months ago related to the management of High Value Customers – otherwise known as VIPs.

The work done by operators did accelerate progress and we welcomed the proposals to restrict under 25s and to tighten controls. That work clearly had a significant impact. It resulted in a 70% drop in the numbers of customers in such schemes.

That worked also helped inform our consultation over the summer and now before someone enters a HVC scheme an operator must:

- Establish that spending is affordable and sustainable.
- Assess whether there is harm, or heightened risk.
- Ensure evidence of identity, occupation and source of funds is up to date.
- And continue to verify the information provided and conduct ongoing gambling harm checks on each customer.

The net effect of this work is that the standards for managing HVC / VIP customers have been raised substantially over the last year.

What was a voluntary arrangement initially is now mandatory for all operators, which mitigates the risk of any licensed operator trying to compete by having lower standards.

I also want to point out – because I know it is a cause for concern - that we are constantly vigilant about the risk of unlicensed operators trying to take advantage of standards rising in the licensed market and we are willing and able to take action against unlicensed operators if we need to.

A Single Customer View

In addition to the 3 challenges I have just spoken about, we also asked you to work with us on a Single Customer View and I was encouraged by the sheer number of people who want to work with us on that project.

We held a really successful event with operators, tech suppliers and the ICO back in February. We had around a 100 people at that event, which was a fantastic start and

gives us confidence that we can find a solution.

And we need to find a solution, because if we crack the ability to safely and securely share data between operators for the purposes of affordability checks and customer safety that could be a real game changer.

We know that you have continued to work on this, but there have been some challenges. With support from the ICO, we want to help you to address those challenges. I also know some of you want to move more quickly on this and we do too.

We are committed to moving forward with you, at pace, so let's keep the momentum in this work.

The National Strategic Assessment

So, where are we now?

Well earlier this month we published our very first National Strategic Assessment. That assessment set out the risks and issues relating to gambling in Great Britain.

As you know, at the Commission we assess risk based on:

- the **Person** gambling
- the **Place** gambling occurs
- the **Products** available to customers
- and the **Provider** of facilities for gambling.

Let's start with what we know about the Person.

What if the world were a 100 people?

I have used similar slides before, but these are based on the latest available data.

So, what if Great Britain were 100 people?

- 3 people are at low risk of harm

- 1 at moderate risk of harm
- half a person is a problem gambler.

However, as I have pointed out before, this picture is misleading as 53 per cent of people don't gamble at all.

What if the world were a 100 gamblers?

If Great Britain were 100 gamblers the picture changes:

- 4 and a half are at low risk of harm
- 2 moderate risk of harm
- 1 person is a problem gambler.

As I have said before we want to see a drastic reduction in those numbers, because whilst the evidence does not suggest that the problem is increasing, it isn't decreasing **YET**.

Ask yourself: how many customers do you have and how those percentages play out in your own business? What could you do to drive down the numbers at risk?

What if the world were a 100 highly-engaged gamblers?

What about highly engaged gamblers?

- 14 are now at low risk of harm.
- 6 people in this world are problem gamblers.
- 9 are at moderate risk of harm.

Now, in response to the data in those slides, you may be thinking to yourself:

- Those numbers do not apply to my business. But are you sure and how do you know?

- How likely is it that people experiencing or at risk of gambling related harm are only playing with your competitors?

You might say, we have a risk committee that takes this really seriously. And I know that's the case and tone from the top is important.

But how confident are you really that your company is doing everything it possibly can to drive down the number of customers you have who are experiencing or at risk of gambling related harm?

These are important questions – because, ultimately, each of those statistics on those charts represents a real person.

So, whilst I am sure progress is being made, I don't think any of us can claim that those statistics mean we got things right – at least not **YET**.

At the risk of going into stuck record mode: You need to know your customers and you need to act based on what you know.

What I have showed you is just one way of cutting the data to get a clearer picture of the risks.

And you need to get a clearer picture of the risks and act on them, because as this year's Compliance and Enforcement Report shows there are still too many occasions where poor judgements are being made.

For example:

- We found that a land-based casino customer lost £18,000 in one year despite telling staff her savings had been spent and she was gambling with borrowed money from her family and her overdraft. **That is not acceptable.**
- We found that an online casino customer, in one gaming session lasting over 7 hours, amassed losses of £16,500 and the only interaction during this time was to ask the customer to confirm a new card to make sure the payment was theirs. Then in another 7 hour session there were no interactions made at all with that customer. **That is not acceptable.**

- And we found that a customer on an online bingo site received 56 'pop-up' safer gambling messages and 13 in-play messages but was still able to play without restrictions or any more meaningful interactions. And, despite displaying concerning behaviour, automated bonuses were placed into their account. **That is not acceptable.**

And please don't say, this doesn't apply to my sector, because our casework has found failings in **all** sectors and **everyone needs** to keep working hard to raise standards.

The growth of mobile play

The Place people gamble also affects the risk profile and we continue to see that for many now, the place they gamble is on their phone.

Fifty percent of online gambling now takes place on people's phones.

The shift to higher intensity products

In terms of Products, whether land-based machines or online games, we see customers shifting to higher intensity products.

The GGY for slots products, both online and land based makes this clear and again this changes the risk profile for those customers.

The impact of Covid-19

And what about the impact of Covid-19?

When the country entered lockdown in March the impact was immediate. Literally over night the High Street shut down, including land-based gambling.

Live sport also stopped, which meant there were very few sporting events for customers to bet on.

The combined effect of this as a massive reduction in GGY. As the green bubble shows, the shift for real event betting was significant.

Despite predictions to the contrary, the total number of people gambling dropped during lockdown.

- **16%** of the population, who had gambled before lockdown, **stopped**.

However, like all statistics, you have to dig a bit deeper to get a clearer understanding of what was happening.

Our most recent COVID-19 statistics also show:

- **25% of the population decreased their spending** on gambling.
- **4.0% of adults**, who did not gamble before lockdown, **started** to gamble during lockdown.
- **12% of gamblers increased spend**, including those saying they tried new gambling activities for the first-time during lockdown.

So, in summary, the closure of premises-based gambling and loss of live sport during lockdown accelerated the move of some customers to online gambling including playing higher intensity products, such as slots.

So what action did we take?

The Commission has always adopted the Precautionary Principle, which means we take action to prevent foreseeable risks. The Covid-19 pandemic has been no different.

We began by engaging with operators, writing to you all to be clear about what was expected, and I began regular conversations with the leading trade bodies to hear the concerns of the industry. That engagement continues I am pleased to say.

We then moved quickly to address the risks as we saw them.

In May, we issued new guidance for online operators to help reduce the risk of harm instructing operators to:

- Urgently review their thresholds and triggers
- Adopt a precautionary approach themselves

- Keep under review duration of play for customers as an indicator of harm, and;
- identify changes which warrant intervention
- Conduct effective affordability checks
- Prevent reverse withdrawals and;
- Restrict bonus offers to those displaying indicators of harm.

I know that imposing those changes immediately was a departure from our normal approach.

I read some of the articles from lawyers raising an eyebrow at our approach. But frankly, unprecedented times required all of us to act more swiftly, so I make no apology for what we did.

In terms of the impact of changes we took

It is obviously too early to tell whether the actions we have taken over recent months have successfully mitigated the risks of the 'perfect storm' that some commentators have talked about.

The changes have, however, clearly had an impact which have helped mitigate some of the risks. For example:

- Average session lengths shortened between May and July – and we know time spent gambling is one component in problematic play.
- The number of customer interactions undertaken rose from 642,000 in April to over 995,000 in September – so whilst volume isn't necessarily a sign of effectiveness, it is a positive sign of progress.
- We know that reverse withdrawals are a marker of potential harm, so the removal of that feature should have helped reduce the risks.

Risk is, of course, dynamic. Which is why we will continue to gather evidence and take action where we see other opportunities to reduce the risk of harm to customers.

Now I want to look to the future a bit.

Gambling Act Review

It will not have escaped your attention that the government intends to review the Gambling Act. And, as the government's statutory adviser on gambling, we look forward to supporting the review.

But I want to make it crystal clear that we will not be taking our foot off the accelerator whilst the review takes place. We are making progress in lots of areas and we must continue to work together to make gambling safer.

Where we see an opportunity to raise standards for customers, we intend to take it, adopting – as we always have – a precautionary approach where appropriate.

And we will not accept the Review of the Act as a reason for any operators to slow down either.

None of you should get distracted from the task in hand.

We need to make progress on affordability, product design – both online and on gaming machines - and the Single Customer View project.

When other opportunities arise to make gambling safer in the months ahead, we intend to seize them.

Over recent months, we have been carefully considering the recommendations of the recent Parliamentary reports and many of those recommendations can be taken forward using our existing powers.

We have also restructured ourselves to ensure we are fit to rise to the challenges ahead and we are working closely with DCMS to develop proposals which ensure we have the resources we need to meet those challenges.

We accepted what the NAO report said earlier this year, when they stated that we need to evaluate our work better so that we can make better progress, faster. To do this we need to better understand the needs of customers and the wider public and develop a suite of metrics that can show the impact that our work is having.

Working to make Great Britain world leader for safer gambling

I want to conclude this presentation with a recap.

Firstly, any operator that tries to bend the rules or is unwilling to comply with the high standards we set will find the Commission is willing and able to drive them out of the British market.

Secondly, I think that the 'experiment' of working collaboratively to accelerate progress that results in tangible improvements for customers has been shown to work and we want to build on that approach.

As I have said before, it is not my job to promote the gambling industry; I work in the best interests of customers, but that doesn't mean that the relationship between the regulator and its licensees has to be adversarial.

We want to do more to help things go right in the first place.

We want to provide support, guidance and offer a forum for sharing best practice.

We want to support the industry in raising standards, not just intervene when things go wrong and, in practice, this means engaging more directly with operators and groups of operators and it's something that we are keen to do more of in the future.

We are working hard to make Great Britain the safest place to gamble in the world and we need you to work with us to achieve that outcome.

And, whilst I know that many of your businesses have faced enormous struggles. And I know that some of you will have been forced to make tough decisions to keep your businesses viable in recent months, the fact that everyone has kept customer protection at the top of their agendas - despite all the challenges – tells me that we are on the right track.

Thank you.