

25 June 2021

Dr Patrick Hodder
Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 1600
Parliament House
CANBERRA ACT 2600
Email: corporations.joint@aph.gov.au

Dear Dr Hodder

REGULATION OF THE USE OF FINANCIAL SERVICES SUCH AS CREDIT CARDS AND DIGITAL WALLET FOR ONLINE GAMBLING IN AUSTRALIA

The Australian Finance Industry Association (AFIA) appreciates the opportunity to make a submission to the Inquiry into the use of financial services such as credit cards and digital wallets for online gambling in Australia.

As context for our submission, AFIA is a leading advocate for the Australian financial services industry. Our role is to support our members to finance Australia's future. We believe that our industry can best support Australia's economy by promoting choice in and access to consumer and business finance, driving competition and innovation in financial services, and supporting greater financial, and therefore social, participation across our community.

AFIA represents over 100 providers of consumer, commercial and wholesale finance across Australia. These banks, finance companies, fleet and car rental providers, and fintechs provide traditional and more specialised finance to help businesses mobilise working capital, cashflow and investment. They are also at the forefront of financial innovation in consumer finance.

INTRODUCTORY COMMENTS

AFIA notes that the Inquiry is seeking to understand, among other things, the level of existing voluntary bans by Australian financial institutions on using their financial products to pay for online gambling.

In our submission to the Parliamentary Joint Committee on Corporations and Financial Services in relation to its inquiry into mobile payments and digital wallet financial services,¹ we noted that innovation within the Australian payment ecosystem was creating significant opportunities to maximise choice in and access to financial products and services, and to foster competition and innovation in financial services.

¹ [250521 AFIA SUB Digital Wallets Inquiry.pdf](#)

The result of this competition and innovation has provided Australian consumers and small businesses with convenient, simple, and efficient payment options, which in turn supports greater financial, and therefore social, participation across our community.

The innovation within the payment ecosystem provides consumers with a frictionless method for paying for goods and services, which benefits both consumers and businesses in terms of efficiency, ease, and convenience.

However, these benefits can also carry potential risks for some customers, such as customers vulnerable to problem gambling.² It is likely that as trends towards digital transactions increase, and the use of cash decreases or is disincentivised, the use of digital payments for gambling may increase.³

Industry-level

AFIA has encouraged further industry action to limit the use of credit cards for gambling so as to minimise harm related to problem gambling. In a letter to the Australian Banking Association's consultation on the use of credit cards for gambling, we supported an industry-level response facilitated by government-led action as part of a plan to address incidence of problem gambling within our community.⁴

For example, many of our members have undertaken proactive financial literacy industry initiatives to protect and educate customers. They have introduced:

- budgeting tools in their payment platform offering, such as budget trackers showing spending categories
- money management tools to assist their customers better manage their finances, such as notifications to inform customers how much they have spent on specific spending categories
- other financial literacy tools, such as visual aids to show if spending has increased or decreased month-on-month.

Buy Now Pay Later (BNPL)

Mindful of the potential risk of payment innovation for customers vulnerable to problem gambling, as part of AFIA's BNPL Code of Practice,⁵ the signatory BNPL providers will not provide BNPL products or services for online gambling, retail gambling or gambling at domestic or offshore casinos, by taking reasonable and appropriate actions with their merchants or retail partners.

The BNPL Code was launched earlier this year and has demonstrated that appropriate self-regulation can be an effective consumer protection mechanism when coupled with a robust accreditation and governance oversight framework, including relevant sanctions.

² [Digital wallet usage soars in COVID: ANZ \(afri.com\)](#) and [CBA predicts digital wallets set to become the most popular contactless way to pay \(commbank.com.au\)](#)

³ [DIGITAL GAMBLING PAYMENT METHODS: HARM MINIMIZATION POLICY CONSIDERATIONS | Gaming Law Review \(liebertpub.com\)](#)

⁴ AFIA letter to the Australian Banking Association (ABA) consultation on the use of credit cards for gambling transactions. 6 March 2020.

⁵ [AFIA Buy Now Pay Later Code of Practice](#)

However, it should be noted that the BNPL providers were able to make this commitment in the BNPL Code because their products, services and technologies have not been offered, and therefore, were not being withdrawn from the gambling industry. This is not the case for other payments providers, and therefore, legislative and regulatory interventions are likely necessary to facilitate collective industry-level action to prohibit the use of credit cards for online gambling.

RECOMMENDATION 1 – PERMIT PROVIDERS TO PARTICIPATE IN NETWORKS, BUT ENABLE PROVIDERS TO RESTRICT GAMBLING TRANSACTIONS

The financial services industry has, through self-regulation and other means, taken proactive steps to protect customers vulnerable to problem gambling. However, we believe that further legislative and regulatory action is required by government to assist the financial services industry to properly protect customers vulnerable to problem gambling.

Financial services providers (such as credit card providers and BNPL providers), enter into agreements with global networks to facilitate transactions. These global transactions networks and mobile device manufacturers set rules to enable the efficient flow of transactions across these systems. Our members report that certain global transaction networks and mobile device manufacturers require providers to allow transactions to all participants in the system and/or anywhere that associated payment apps are accepted – which may include gambling transactions.

As part of regulating mobile payments services, AFIA recommends clarity for providers to restrict gambling transactions, which is likely to require different interventions depending on the system. For example, industry-level action would need to be supported by the global transactions and proprietary networks. Similarly, additional consumer protections would need to be supported by mobile device manufacturers, such as mobile device manufacturers ‘turning off’ the payments function for certain activities, such as gambling. We are agnostic as to the nature of this intervention, including potentially an industry code.

RECOMMENDATION 2 – ENSURE DIGITAL WALLETS MEET CONSUMER PROTECTION STANDARDS AND COMMUNITY EXPECTATIONS

AFIA understands that certain digital wallets may operate outside the regulated payments system, which may present regulatory and consumer protection risks. It may also inhibit the efficacy of other industry-level actions to protect customers vulnerable to problem gambling. The recent reviews of the payments system conducted by the government focused on particular aspects of the payments ecosystem and regulatory architecture of payments, and therefore, if it is ascertained that closer examination of digital wallets from a broader consumer protection perspective is warranted, we would support such an approach.

RECOMMENDATION 3 – CONSIDER FURTHER INITIATIVES, SUCH AS FINANCIAL LITERACY PROGRAMS, TO EDUCATE CUSTOMERS ON THE HARM OF PROBLEM GAMBLING

AFIA recommends that the Inquiry note the various proactive industry initiatives to protect and educate customers. We urge the Inquiry to consider what further government support is necessary to ensure all Australians have the financial and digital capability to participate in our modern economy.

We suggest that these initiatives are rolled out within targeted programs, such as through the National Financial Capability Strategy,⁶ by providing additional, targeted funding for consumer

⁶ [National Financial Capability Strategy](#) and [Moneysmart](#)

education or broadening funding allocated to consumers from the financial and digital capability for SMEs under the Digital Economy Strategy announced in the 2021 Federal Budget.

In addition, noting work that is being done to review funding for financial counselling services across Australia, we support a coordinated and sustainable approach for funding for financial counselling services to help vulnerable Australians and recommend governments, financial services industry, and other key sectors that benefit from financial counselling services, including utilities and gambling, participate in a new model.

CLOSING REMARKS

Customers, small businesses and retailers now expect seamless, frictionless payment experiences. AFIA believes that participants within the payments ecosystem should support their customers not just by offering the best products, services, and technologies but also, to make sure that vulnerable consumers within the ecosystem are protected. Therefore, it is important that there are targeted and proportionate regulatory settings for online gambling. This will ensure competition and innovation in the payments' ecosystem continues, while providing additional consumer protections, particularly for those customers vulnerable to problem gambling.

Yours sincerely

Diane Tate
Chief Executive Officer