



Australian Banking
Association

25 June 2021

Committee Secretary
Joint Parliamentary Committee on Corporations and Financial Services
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Parliament House
Canberra ACT 2600
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Dear Committee Secretary,

Regulation of the use of financial services such as credit cards and digital wallets for online gambling in Australia

The Australian Banking Association (**ABA**) advocates for a strong, competitive, and innovative banking industry that delivers excellent and equitable outcomes for customers. The ABA supports appropriate access to credit for customers to support their long-term prosperity while taking extra care of customers experiencing vulnerability.

In this context, the ABA has recently considered the use of credit cards for online gambling.

The use of credit cards for gambling on poker machines in licensed venues, TAB outlets and at racing tracks was banned by state and territory governments in the early 2000s. These bans were instituted by placing conditions on gambling licences. However, these bans did not extend to online gambling as it wasn't widely accessible in Australia at the time. Two decades on, online gambling now accounts for the majority of all gambling. According to a recent survey by the Australian Gambling Research Centre, before COVID-19, 62% of participants' gambling was conducted online, and this grew to 78% during the pandemic.¹ Online gambling is the fastest growing segment of the Australian gambling market. Of those who gamble, the proportion betting online doubled between 2012 and 2018.

Annual spend on online gambling is estimated at \$3.5 billion² and those who gamble online have been found to experience higher rates of gambling-related harm³.

Existing consumer protections

ABA member banks have introduced mechanisms to limit the harm that some may experience from the use of credit cards for online gambling. Most banks have developed technology solutions including tools to track and cap spending and initiate customer directed blocks. Banks have trained customer support teams and provided referrals to support services.

Assistance measures vary across different banks, but can include:

- Immediate gambling blocks able to be activated via banking apps and contact centres.
- Delays on the removal of blocks.
- Credit risk strategies which factor in a customer's historic gambling activities.
- Gambling transactions declined when a customer reaches a certain percentage of their credit limit.
- Real-time alerts when customers make high-cost credit card transactions including gambling.
- Low or no-interest credit card products which do not allow gambling transactions.

¹ https://aifs.gov.au/agrc/sites/default/files/publication-documents/2009_gambling_in_australia_during_covid-19.pdf

² Roy Morgan Gambling Currency Report (2020)

³ National Consumer Protection Framework for Online Wagering: Baseline Study Report (2019)



To better understand the use of credit for online gambling, the ABA undertook a consultation in 2019 to seek community views. The three-month consultation included a YouGov representative sample survey as well as a short-form survey on the ABA website. Stakeholders raised a range of views for and against restricting the use of credit for online gambling. However, an overwhelming majority of respondents supported further restrictions. A copy of the report is enclosed for the Committee's consideration.

The *Competition and Consumer Act 2010* prohibits businesses and their industry associations from reaching agreements or understandings about matters on which they compete, such as in relation to prices for products or services, the design features of those products and services, the ability to offer a product or service, or arrangements for certain customers. Therefore, member banks will individually consider the results of the consultation.

Legislative solutions

In Australia, the *Interactive Gambling Act 2001* sets the rules for companies that offer or advertise gambling services covering gambling that takes place online, through a website or app or via a telephone. The Federal Government made amendments to the Act in 2017 which included preventing gambling operators from offering or enabling lines of credit to their customers.

Submissions to the ABA consultation pointed out that a credit card cannot be used at a TAB, in a casino or at the track, but can be used for online gaming, including to transfer money from a credit card into an online app to gamble, and that it would be appropriate for the government to update the Interactive Gambling Act to apply equally to gambling in physical premises and online.

The Act could be amended to prevent registered online gambling companies from accepting payment by credit. The amendment could be phased in to allow people time to transfer their online gambling accounts to a debit card.

A legislative solution has the additional advantage of avoiding any possible impact on charitable lotteries. If a financial institution bans using their credit cards for gambling, it must introduce a block on payments to the merchant category code for gambling (MCC 7995 – betting, including lottery tickets, casino chips, off-track betting, and wagers at racetracks).

The ABA consultation identified that this may affect the fundraising activities of some registered charities that sell lottery tickets, for example, the Mater Hospital, Kids Helpline and Surf Life Saving Australia. It may also potentially affect some newsagent operators who derive a significant share of income from lotto tickets. These unintended consequences would not arise in the case of a legislative solution similar to the one recently enacted in the United Kingdom.

A mandatory industry code

Implementing a ban via a financial industry code or a 'mandatory code of conduct' (under the Corporations Act) would give rise to the same unintended consequences outlined above. A code of conduct would require banks to block payments to the merchant category code for betting.

Industry codes such as the Banking Code of Practice only apply to and bind subscribing ABA members, not other card issuers. In addition, changes to codes such as this have a long lead time and would require exemption from the *Competition and Consumer Act 2010*.

A mandatory code of conduct requires prescription and declaration by regulations, and, like other industry codes, has the limitations and unintended consequences of targeting the payments sector, rather than the gambling industry.

For simplicity in regulation, bans relating to gambling and credit are better managed through the *Interactive Gambling Act 2001*.



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Other jurisdictions

In our view, the United Kingdom offers a better example of enacting change.

In January 2020, the UK Gambling Commission introduced a ban on credit cards as a payment method for gambling products, effective from 14 April 2020. This ban applies to all forms of internet gambling and to land-based betting. Responsibility lies with gambling operators to stop customers gambling with a credit card.

In addition, licenced gambling operators are prohibited from accepting payments made by credit card via a money service business, such as by using e-wallets (e.g. PayPal). Lottery products sold in retail outlets are excluded from the reforms due to lotteries' low-risk profile and because the Commission judged "(i)t would be an unfair expectation on retailers to identify and prevent credit card payments for lottery tickets if they form part of a wider shop."⁴

The UK ban is a condition of a gambling company's licence and did not require legislative change. A ban on gambling businesses accepting credit cards in Australia would require regulatory intervention by Government/s.

The UK Government is also holding a review into the Gambling Act 2005. The Terms of Reference include to "Make sure customers are suitably protected whenever and wherever they are gambling, and that there is an equitable approach to the regulation of the online and the land based industries."⁵

Digital wallets

Submissions to this committee's inquiry into mobile payment and digital wallet financial services have identified regulatory and legal matters that are also relevant to this inquiry.

A number of submissions, including from the ABA and the Reserve Bank of Australia, highlighted the significant growth in mobile payments and use of digital wallets in recent years. This trend was accelerated by COVID-19 but is expected to continue in the longer term.

The Reserve Bank submission identified that some digital wallets – such as Alipay and WeChat Pay - allow users to load and store funds in their digital wallet account, and payments can be made between users in a 'closed loop' platform without going through traditional payments infrastructure such as card or account-based payment channels. In these circumstances, users would be taken outside of controls implemented on credit card transactions, such as for use on online gambling services.

The use of merchant code blocks may be difficult or impossible to apply to all digital wallets available in market and further legislative change may be necessary to take into account new technologies and payment methods.

Conclusion

The ABA encourages the Committee to consider amending the *Interactive Gambling Act 2001* to establish a consistent policy approach to the use of credit for gambling across all gambling services in venues and online for the benefit of customers. Banks will continue to engage with community groups and industry stakeholders on this issue.

Yours sincerely

The Hon Anna Bligh, AC
Chief Executive Officer

⁴ [UK Gambling Commission, 'Gambling using a credit card', 4 June 2020](#)

⁵ [UK Department for Digital, Culture, Media and SRT, Review of the Gambling Act 2005](#)