



## Submission to the Environment and Communications Legislation Committee Inquiry

### *Interactive Gambling Amendment (Prohibition on Credit Card Use) Bill 2020*

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Family Studies (AIFS)

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### 1. Introduction

The Australian Gambling Research Centre (AGRC) at the Australian Institute of Family Studies (AIFS) seeks to enhance understanding of the nature and extent of gambling participation and related harm in Australia, and advance knowledge of ways to prevent and reduce gambling-related harm among people who gamble, their families and communities.

Gambling is a major public policy issue in Australia, affecting the health and wellbeing of many families in a range of ways. Recent estimates suggest that Australians lose approximately \$25 billion on legal forms of gambling every year, representing the largest per capita losses in the world (Queensland Government Statistician's Office, 2021). When we consider the social costs of gambling, including adverse effects to emotional, physical, relationship and family wellbeing, estimates suggest these to be about \$7 billion in Victoria alone (Browne et al., 2017). Further, gambling-related harms not only affect the people directly involved, but also their families, peers, and the wider community (O'Farrell Review, 2015). Goodwin and colleagues (2017) estimate that, on average, six others are directly affected by a person gambling at high-risk levels, with three others and one other affected by those gambling at moderate- and low-risk levels, respectively.

The AGRC recognises that gambling and online wagering is a legal activity; however, the use of credit cards can exacerbate harm for people who experience gambling-related problems (Senate Explanatory Memorandum). The UK Government banned the use of credit cards for all forms of remote gambling, including online wagering, due to the risks of harm associated with using credit cards for gambling and the need to protect consumers (UK Gambling Commission, 2020). The ban came into effect on 14 April 2020 and was informed by the UK Gambling Commission's public consultations and review of the available evidence.

The AGRC is pleased to provide this submission to the Environment and Communications Legislation Committee on the *Interactive Gambling Amendment (Prohibition on Credit Card Use) Bill 2020*. This Bill to prevent interactive gambling service providers from accepting direct or indirect payments by credit card will make a positive contribution to reducing gambling-related harm in Australia.

## 2. Online wagering in Australia

- Online wagering is the fastest growing segment of the Australian gambling market (Global Betting and Gaming Consultants, 2018). Estimates suggest that around one third (34%) of people who placed a bet on sports, racing, or other events in 2017–18 did so via the internet; double the 16% reported six years earlier (in 2011–12) (Roy Morgan, 2018). In Australia, problem gambling rates among people who gamble online have been estimated to be around three times higher than for non-online modes (Gainsbury et al, 2014).
- Recent data from state/territory governments indicates that online wagering increased during COVID-19, raising further concern about harm among people who gamble. For example, data from the Victorian Department of Treasury and Finance (State of Victoria, 2021), revealed that Victorians lost more than \$1.4 billion on sports wagering and online betting during July-December 2020, an increase of \$375 million compared to July-December 2019.
- The AGRC's recent *Gambling in Australia during COVID-19* survey of 2,019 people who gamble, found that overall, participants gambled more frequently during COVID-19; this was largely driven by increased wagering online on sports and racing (horse, greyhound, and harness) (Jenkinson et al., 2020). Almost one in three survey participants signed up for a new online betting account during COVID-19, and 1 in 20 started gambling online. Of concern, 79% of participants were classified as being at risk of, or already experiencing, gambling-related harm. Young men (aged 18-34 years) were the sub-population most likely to sign up for new online accounts, to increase their frequency and monthly spending on gambling, and to be at risk of gambling-related harm (Jenkinson et al., 2020).

## 3. The use of credit cards for gambling – the current situation in Australia

- In Australia, credit cards cannot be used to gamble in licensed gaming venues or casinos, and cash advances from ATMs in these venues are also prohibited. However, credit cards can still be used for online gambling transactions.
- Several banks operating in Australia have already taken voluntary steps to stop allowing the use of credit cards for gambling transactions (e.g., Macquarie Bank, Citibank, Bank Australia, Bank of Melbourne, Bank of Queensland, Suncorp, CUA, Virgin Money and American Express). Other banks (e.g., Commonwealth Bank, NAB and Westpac) allow customers to place a temporary block on most credit or debit card transactions for gambling, and the ANZ Bank introduced a cap (of 85%) for gambling transactions.
- Banning the use of credit cards for online gambling is not technologically difficult; payments can be blocked via gambling merchant category codes (MCC). Financial institutions who have already taken voluntary steps to ban the use credit cards for gambling make use of this MCC technology. Customers can still choose to engage in online gambling through an account with pre-existing funds that have been deposited into their account.

#### 4. Harms associated with the use of credit cards for gambling

- The use of credit cards for gambling can exacerbate the likelihood of acute financial harm to high-risk gamblers (Swanton, 2020), and evidence suggests a relationship between increased credit card use and increased gambling-related problems (GREO, 2020).
- Credit cards, which use borrowed money, in contrast to debit cards or online wagering accounts with pre-existing funds, can facilitate gambling with money that participants do not have. In addition, the rapid and easy use of credit cards for gambling means that traditional mechanisms that may slow gambling activity, such as the need to withdraw pre-existing funds for gambling in land-based venues, is absent (GREO, 2020; UK Gambling Commission, 2020). This ‘lack of friction’ (or lack of delay) with credit cards, along with the widespread 24-hour access to online gambling, can increase the risk of overspending and promote impulsive gambling behaviours.
- Research commissioned by the UK Gambling Commission found that 36% of people who gambled with a credit card reported that ‘no other funds were available to them’, including insufficient funds in their bank account (2CV, 2019). The reliance on borrowed money for gambling has been found to significantly increase the risk of financial harm, with high levels of debt occurring as a result (Swanton 2020).
- In addition to spending borrowed money, people who gamble can experience further financial harm due to the high rates of interest charged for spending on gambling products. Many financial institutions charge an interest rate equivalent to a cash advance rate, in addition to a cash advance fee. Consumers may not be aware that such gambling transactions attract a higher rate of interest than other transactions, and that incentives such as credit card rewards points do not apply to gambling transactions. Further, cash advances normally attract a no ‘interest free’ period, so the debt accrued can grow rapidly within a small amount of time. This alone can mean that consumers use credit cards to ‘chase losses’ to an even greater extent, increasing the risk of financial harm (2CV, 2019). Submissions to the UK Commission consultation suggest that it can take many years to repay the principal and interest incurred on gambling-related credit card debts, further exacerbating the long-term financial harm to individuals and their families.
- Gambling-related harms (including financial, health and relationship harms) can negatively affect individuals who use credit cards to gamble, as well their partners, dependents, and extended family (e.g., Hing et al., 2020; Muggleton et al., 2021). Recent research examining the relationship between gambling and domestic violence found that that use of credit cards by some men for gambling was associated with financial abuse of their female partners (often leaving women in financial hardship), and in other cases, male gamblers would use their female partner’s credit cards to gamble, either without their permission, or by using coercive control or the threat of, or actual, physical violence (Hing et al., 2020).

- A further consideration is the increased risk of underage online gambling behaviour linked to credit card purchases of chance-based items (e.g., ‘loot boxes’) in online video games (Griffiths 2018, Swanton et al 2019). A recent study of young people living in New South Wales found that buying and selling loot boxes was associated with higher 12-month gambling frequency and gambling-related problems (Rockloff et al., 2020).

## 5. Australian Banking Association inquiry into the use of credit cards for gambling transactions

- In 2019, the Australian Banking Association (ABA) sought community views on the use of credit cards for online gambling (ABA, 2020). The ABA received 40 written submissions to the inquiry from consumer advocates, online gambling companies, academics, government agencies, gambling counsellors and individuals. They also conducted a telephone survey with a representative sample of 1,007 Australians aged 18 and over. Most respondents to the consultation (both in written submissions and in the short survey responses) believed the use of credit cards for online gambling should be prohibited. The associated risks were considered to significantly outweigh any potential benefits for customers, especially for individuals experiencing gambling problems (ABA, 2020).
- Following the inquiry, the ABA did not make specific recommendations or suggestions regarding the restriction or banning of credit cards for gambling; rather, the ABA circulated the response to its inquiry to members for their consideration.
- The *Interactive Gambling Amendment (Prohibition on Credit Card Use) Bill 2020* would be the first legally mandated mechanism to prevent credit card use for interactive/online gambling transactions in Australia.

## 6. The international experience

- International research has shown that ready access to credit within gambling venues and online can incentivise people who experience gambling-related problems to go beyond acceptable levels of risk (Oakes, Pols and Lawn, 2020; Kerr, O’Brennan, & Mendoza, 2021). In order to protect people who gamble and minimise gambling-related harms, bans on the use of credit cards for online gambling are being considered in a number of countries around the world (Kerr et al., 2021).
- The United Kingdom (UK) introduced changes to licence conditions and codes of practice on the use of credit cards for gambling on 14 April 2020. The new UK general licence condition bans the use of credit cards for all forms of remote gambling (i.e., betting/wagering, gaming and lotteries) and for non-remote betting (UK Gambling Commission, 2020).

- The UK ban was informed by the Gambling Commission’s public consultations and review of the available evidence. Prior to implementing ban, the UK Gambling Commission (2020) reported that 10.5 million UK residents gambled online, and an estimated 800,000 people used credit cards to fund their gambling. The Commission noted that approximately 22% (176,000) of people who gambled online using credit cards were classified as ‘problem’ gamblers, with an even higher proportion classified as being at risk of gambling-related harm. The UK Commission noted that the data gathered as part of their consultations ‘persuaded us that there are risks of harm associated with using credit cards for online gambling, and that we needed to act to protect consumers’ (UK Gambling Commission, 2020).
- The UK is the first country to have implemented a complete (offline and online) ban on the use of credit cards for gambling, but other jurisdictions have restrictions in place or are currently considering regulatory changes to the provision of online gambling. For example, in the United States, many banks and credit card companies have banned the use of credit cards for online gambling (GREO, 2020). In Finland, the government regulated gambling operator does not permit transactions with credit cards, and Norway and the Netherlands have introduced bans on credit card transactions with overseas gambling operators (GREO 2020; Kerr et al., 2021). In Germany, restrictions on credit card use for certain types of online gambling are being considered as part of new consumer protection measures, and the New Zealand and Irish Governments are examining the introduction of a ban on the use of credit cards for online gambling in their jurisdictions (Kerr et al., 2021; Walsh 2021).

## Summary

The AGRC is pleased to provide this submission to the Environment and Communications Legislation Committee on the *Interactive Gambling Amendment (Prohibition on Credit Card Use) Bill 2020* to prevent interactive gambling service providers from accepting direct or indirect payments by credit card.

The Inquiry by the Committee is timely given the recent ban on the use of credit cards for all forms of remote gambling (including online wagering) in the United Kingdom (UK), and increasing community discourse and interest in preventing financial and other harms from gambling involvement to individuals, their families, and the broader community. This Bill will make a positive contribution to reducing gambling-related harm in Australia.

## Acknowledgements

The AGRC was established under the Commonwealth *Gambling Measures Act, 2012*. Our gambling research program reflects the Act, embodies a national perspective, and has a strong family focus. We are part of the Australian Institute of Family Studies (AIFS) and would like to acknowledge our colleagues for their input into this submission.

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2CV *Behaviours and Attitudes Towards gambling with Credit Cards* prepared on behalf of Gambling Commission 2019, available at <http://www.gamblingcommission.gov.uk/Docs/Credit-Card-Users-Analysis.pptx>