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29 April 2021

**Re: Submission on the Inquiry into the Interactive Gambling Amendment
(Prohibition on Credit Card Use) Bill 2020**

Thank you for the opportunity to make a submission to the Senate Standing Committee on Environment and Communications in relation to the proposed Interactive Gambling Amendment (Prohibition on Credit Card Use) Bill 2020.

Summary

The Alliance for Gambling Reform (Alliance) strongly supports the prohibition of gambling with credit including using credit cards, based on the principle that people should not be encouraged to gamble with money they do not have. The amendments simply extend the existing ban on providing or promoting credit for gambling to include third party credit in the form of credit cards. This provision, we believe, should apply to all forms of gambling, including online gambling where risk of harm is highest.

Gambling with borrowed money is well-established as a risk factor for harmful gambling¹ and governments must ensure online wagering services, which have failed to show appropriate levels of responsibility in these areas, are not putting customers and their families at risk by allowing them to gamble more than they can afford.

We also request the Committee examines two aspects of the current legislation, one of which are mirrored in the proposed amendments:

- The exemption of bans on offering credit for certain bookmakers operating a phone service includes a provision allowing them to offer credit to prospective customers (cl 15D). This constitutes an incentive to open an account, and should be removed to make the legislation consistent with the National Consumer Protection Framework and other land based legislation banning incentives to open, or to not close, accounts.
- The exemption on credit bans for transactions which may involve property in certain circumstances is unclear and could allow predatory behaviour by persons offering credit against property collateral (cl 15F and proposed cl 15L).

We provide details below, and argue that both these exemptions continue to allow harm to occur through the use of credit and they should be removed or limited.

We hope the amendments are supported across party lines and implemented at the earliest possible time.

¹ Thomas B. Swanton and Sally M Gainsbury (2020) *Gambling-related consumer credit use and debt problems: a brief review*, Current Opinion in Behavioural Sciences 31 <https://www.sciencedirect.com/science/article/pii/S2352154619301019>

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Who we are

The Alliance for Gambling Reform is a national advocacy organisation and registered health charity formed out of an urgent need to address the harmful and unfair impacts of gambling and its normalisation in Australia. We are a non-partisan alliance of more than 60 organisations who share our objectives of preventing and minimising harm from gambling, and we are entirely funded by individuals, foundations and local governments that do not have any ties with the gambling industry.

We take a public health approach to gambling reform, centring those with lived experience of gambling harm at the core of our work based on the principle that those closest to the harm are those closest to the solutions. We seek to collaborate meaningfully with elected representatives, local councils, service agencies, faith and community groups to prevent and reduce harm through policy change. The Alliance also provides coordination, expert advice and practical resources to our supporter organisations, community groups and the media.

This submission draws upon testimony from people and families impacted by gambling harm and who have shared insights on gambling with credit. In some cases testimony has been provided on the condition of anonymity, however, the Alliance is able to furnish further evidence of these claims should this be required.

Gambling harm is experienced by broad sections of the community

At the outset, we wish to correct a common claim that ‘most of those who gamble do not experience harm’. A 2016 study by the Victorian Responsible Gambling Foundation found that gambling harm is experienced by broad sections of the community, and the largest aggregate source of harm was in fact found to be experienced by ‘low’ and ‘moderate’-risk gamblers (50% & 35% respectively).² It is a misconception that those experiencing harm are limited to chronic gamblers. We now know the majority of harm can be attributed to gamblers at the lower-end of the gambling spectrum.

This understanding has been reinforced by the results of the recently published study of banking data in the UK and the researchers’ analysis of links between gambling expenditure and negative impacts on health and finances.³ That study, examining the banking transactions of 6 million customers over 7 years, showed that for every 10% increase in gambling expenditure, significant negative consequences are observable. These include increased risk of payday loans, mortgage defaults, unemployment, recourse to disability pensions for people previously not needing that support, reduction of expenditure on health and education, and increased risk of death.

A 2017 study further investigated the extent of gambling harm to others. The researchers asked people affected by someone else’s gambling how many others, including children, they believed had also been affected by that person’s gambling. The report concludes a typical “problem”

² Browne, M, Langham, E, Rawat, V, Greer, N, Li, E, Rose, J, Rockloff, M, Donaldson, P, Thorne, H, Goodwin, B, Bryden, G & Best, T (2016) Assessing gambling-related harm in Victoria: a public health perspective, Victorian Responsible Gambling Foundation, Melbourne.
<https://responsiblegambling.vic.gov.au/resources/publications/assessing-gambling-related-harm-in-victoria-a-public-health-perspective-69/>

³ Muggleton, N., Parpart, P., Newall, P. *et al.* The association between gambling and financial, social and health outcomes in big financial data. *Nat Hum Behav* 5, 319–326 (2021). <https://doi.org/10.1038/s41562-020-01045-w>

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gambler* affects six others, revealing that more than a million people in Victoria alone are potentially harmed by someone else's gambling.⁴

Gambling on credit increases the risk that people will gamble more than they can afford

There are inherent risks associated with gambling with credit, including losing all of one's assets and then quickly accumulating large sums of unsecured debt. Credit cards have high interest rates and therefore an expensive source of debt. When used for gambling, they attract exorbitant cash advance fees which can further exacerbate harm. We learned through the Banking Royal Commission just how much harm can be done when credit is used for gambling.⁵

Case Study- Jane, 39, legal professional with 20 years lived-experience of gambling harm:

My gambling debt (now paid off) at its highest was \$65,000 and this was almost exclusively financed from cash advances on credit cards. It is far, far too easy to get what is essentially the equivalent of a pot of money with a huge interest rate associated with its withdrawal and no checking whatsoever as to the vulnerability of the applicant for credit.

I believe easy access to credit exacerbated my gambling harm as it just was an easy avenue to chase losses and I feel directly contributed to an increase in my gambling debt. If access to credit for me had been more difficult, I think my gambling harm would have decreased.

The risks associated with gambling with credit are particularly acute for young people who are actively targeted by the gambling industry and are more likely to get into financial difficulty when using credit due to lower financial literacy.

Credit cards are disproportionately used by those experiencing extreme gambling harm

The 2010 Australian Productivity Commission Report found those experiencing high levels of gambling harm were more than four times likely to use credit cards to obtain cash advances for gambling than low-risk gamblers.⁶ A 2019 UK Gambling Commission report also found 38% of "problem" gamblers*, and 30% of moderate risk gamblers had used a credit card for gambling, compared to just 8% of non-problem gamblers.⁷ Similarly, a 2017 UK survey of citizens affected by gambling-related harm found 49% reported using credit cards to fund their gambling; 40% went overdrawn and 27% had taken out payday loans. Most pertinently, 76% of surveyed gamblers had built up debt as a result of their gambling and 44% of affected others built up debt themselves, clearly indicating this harm extends to families and communities.⁸

⁴ Belinda C. Goodwin, Matthew Browne, Matthew Rockloff & Judy Rose (2017) *A typical problem gambler affects six others*, International Gambling Studies, 17:2, 276-289

⁵ *Banking royal commission: Commonwealth Bank offered gambler credit card limit increases*, March 22, 2018 <https://www.abc.net.au/news/2018-03-22/commonwealth-bank-offered-gambler-credit-card-limit-increases/9577654>

⁶ Productivity Commission (2010). *Gambling: Productivity Commission inquiry report (Volume 1)* <https://www.pc.gov.au/inquiries/completed/gambling-2009/report/gambling-report-volume1.pdf>

⁷ Gambling Commission (2019). *Consultation on gambling with credit cards*. https://consult.gamblingcommission.gov.uk/author/consultation-on-gambling-with-credit-cards/supporting_documents/P rint%20the%20whole%20consultation%20%20gambling%20with%20credit%20cards.pdf

⁸ Nash, E., MacAndrews, N., & Edwards, S. (2018). *Out of luck: An exploration of the causes and impacts of problem gambling*. London: Citizens Advice. <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Out%20of%20Luck.pdf>

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The use of credit for gambling purposes is out of step with community standards

The provision of credit for gambling is not in line with community expectations of responsible lending practices. Credit restrictions placed on wagering firms and pay-day lenders under the National Consumer Protection Framework were roundly welcomed in 2017, however the failure to include credit cards at that time was a missed opportunity. Given the known harm linked to gambling with credit, and the relatively minor inconvenience to customers not experiencing harm in having to avoid credit card payments, it is difficult to not view this practice as irresponsible on the part of wagering service providers. If someone cannot use their credit card on a poker machine, surely they should not be able to for online gambling either.

We consulted our lived-experience community and found overwhelming support for banning gambling with credit. Here is just a snapshot of what they told us:

Gambling with credit cards makes an already significant social problem considerably worse. We are conditioned into thinking that credit cards aren't 'real' money - we can buy now and pay later, postponing the problem. If we apply that thinking to gambling, it becomes very easy to rack up huge debts in a short period of time. Studies have shown that gamblers are more prone to chasing their losses if using credit cards.

-Stuart

It is so easy to become addicted to these sites and being able to withdraw money from your Credit Card makes it very easy to overspend and get into debt.

-Carolyn

As a victim of poker machine addiction I strongly support the banning of credit card use to gamble. I would like the banking sector to support the victims of the torrid gambling industry where Governments have failed.

-Rob

For decades Australian financial institutions have considered restricting gambling with credit.⁹ In 2017, 85% of Bank Australia customers surveyed said they would support a block on payments from credit cards to online gambling businesses.¹⁰ Implementation of this measure would not only bring banks inline with other major global financial institutions, like American Express and Citibank, but also comparable jurisdictions like the US and UK.¹¹ Taking a sector-wide approach to gambling ensures an even playing field for all Australian financial institutions.

We acknowledge and commend initiatives in recent years by financial institutions to provide greater tools and services to customers experiencing gambling harm to seek help without shame or stigma, most notably NAB who now allow customers to block gambling transactions on credit and debit cards.¹² However a uniform, sector-wide approach is still needed to guard against the risk of predatory practices and (often) exploitative tactics used by wagering firms to extract more than people can afford.

⁹ *Online gamblers facing a credit card ban*, August 2, 2002

<https://www.smh.com.au/national/online-gamblers-facing-a-credit-card-ban-20020802-gdfi9d.html>

¹⁰ *Credit cards and online gambling - your say*, June 29, 2017

<https://www.bankaustralia.com.au/about-us/news/corporate/credit-cards-and-online-gambling--your-say/>

¹¹ *Gambling on credit cards to be banned*, January 14, 2020

<https://www.bbc.com/news/business-51103006>

¹² *NAB allows customers to restrict gambling transactions*, February 21, 2020

<https://www.savings.com.au/savings-accounts/nab-allows-customers-to-restrict-gambling-transactions>

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Banning the use of credit cards was among the recommendations of the Australian Institute of Family Studies Australian Gambling Research Centre report in 2019.¹³ The use and misuse of credit cards is scattered through the case studies they presented from ordinary suburban Australians.

The UK Gambling Commission decision to ban the use of credit cards

In January 2020, the UK Gambling Commission formed a view that gambling with credit created harm and needed greater regulation. It undertook a consultation process to assist the Commission in deciding if a complete ban, or some lesser form of regulation, was the best response. It decided after consultation with individuals, organisations, financial institutions, remote gambling service providers, high street bookmakers, counselling services and counsellors, casino employees, faith groups, e-wallet and digital payment processing services, the Local Government Association and gambling industry trade bodies, that a complete ban was the most effective approach to achieve the Commissions aim “to safeguard consumers and the wider public by ensuring that gambling is fair and safe”.¹⁴

All the arguments they presented for the ban apply to Australia, with the caveat that we do not, for lack of research, have comparable figures for the level of harm experienced by gamblers using credit cards. However, since all other prevalence and impact data is broadly similar between the UK and Australia, taking into account the different gambling landscapes, there is no reason to doubt that similar high levels of harm occur here.

Submissions from people harmed by gambling indicated that introducing friction into their gambling by preventing the use of credit cards would have “prevented them experiencing harm to such an extreme degree”. Although a ban would not have prevented them gambling completely, it would have created delay, reduced their debts by avoiding credit card fees and assisted them in better recognising the monetary value of their debts.

While it is not possible to engage with online gambling products using cash, it remains valuable to consider the implications of research regarding individuals’ recognition of the value of their bets when using cash compared to digital methods.¹⁵ Any mechanism which introduces some level of friction into payments methods, or alternatively, reduces the frictionless aspects of credit payments, should be adopted as a mechanism to prevent or reduce harm.

As expected, the remote gambling industry felt that the burden should be placed on financial services, and that a ban would penalise non-problem gamblers* or lead to riskier borrowing via pay-day lenders. Financial services resisted a ban for similar reasons, arguing that customer-led blocking and voluntary limits would be more effective. In the UK, these industries failed to convince the Commission, and they should fail to convince Australian legislators.

¹³ Rintoul, A. & Deblaquiere, J. *Gambling in Suburban Australia* STUDY REPORT 2019, AGRC

¹⁴

<https://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/consultation-responses-2020/Changes-to-licence-conditions-and-codes-of-practice-on-the-use-of-credit-cards-for-gambling.aspx>

¹⁵ Ceravolo MG, Fabri M, Fattobene L, Polonara G and Raggetti G (2019) Cash, Card or Smartphone: The Neural Correlates of Payment Methods. *Front. Neurosci.* 13:1188. doi: 10.3389/fnins.2019.01188

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UK evidence showed that 22% of credit card gamblers experienced severe harm (problem gamblers in their terminology), 25% moderately harmed, and 20% harmed at lower levels [section 3.15 of the Commission report].

The Alliance submits that in no other industry would the government or other regulators allow processes to continue where two out of three of the people using that process were being harmed.

In research related to the impact of a ban, the Commission found that most people using credit cards to gamble were unaware of the impact of fees and charges. When these were explained, 42% said they would use debit cards, and 41% said they would stop gambling [s 3.24]. The Alliance submits that similar surveys and education programs for online gamblers would easily manage the slight inconvenience for those who are not being harmed by gambling, and who have been using their credit cards.

Additional amendments

15D provides an exemption to the 15C ban on providing credit where the service provider's turnover is less than \$30million p.a. and the service is a telephone betting service in connection with racecourse betting, and the credit is offered via voice calls.

The Alliance draws the Committee's attention to cl15D(1)(b) where this offer of credit can be made to "prospective customers". The principle of banning incentives to open accounts with online gambling service providers has been established within the National Consumer Protection Framework. We argue that 15D(1)(b) allows telephone betting service providers to incentivize the opening of an account through the offer of credit. **This exemption should be removed** - the fact that the telephone betting service must be related to a racecourse based betting service provider does not reduce the concerns around offering incentives to open betting accounts, and particularly when this incentive involves the use of money that does not belong to the customer.

We also invite the Committee to consider whether the turnover threshold for allowing this exemption is appropriate, and whether any exemption at all on the offering of credit is consistent with the intent of Part 2B of the Act. The original intent of the exemption was to continue to allow bookmakers who allegedly overwhelmingly offered credit to customers they know to continue that practice. Taking payments for each bet over the phone is cumbersome to both parties, but certainly introduces friction into the transactions. **We argue that 15D should be repealed** as gambling on credit with no written confirmation of the sums involved exposes all parties to the risk of misunderstandings and financial loss. In addition, telephone betting shares some characteristics with online gambling in that the salience of the bet is significantly reduced.

15F Acquisition of property

15F(1) Section 15C has no effect to the extent (if any) to which its operation would result in an acquisition of property (within the meaning of paragraph 51(xxxi) of the Constitution) from a person otherwise than on just terms (within the meaning of that paragraph).

We invite the Committee to consider the consequences of this clause (and the proposed amendment, cl 15L) within the intent of Part 2B. The prohibition on offering credit is to protect customers from the consequences of incurring debt. Losing property, particularly if that property

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is the person's primary residence, is surely effectively creating a significant debt through a form of credit.

The drafting of these clauses is difficult to follow, but appears to revolve around protecting the Commonwealth from any obligation to provide compensation to a person for losses occurring from a transaction involving a property where the amount of credit offered against a property was less than the market value of the property, that is to say, on 'unjust terms'. The intent of the Act is to protect customers from excess losses and predatory behaviour, not to protect the Commonwealth.

The Committee should investigate ways in which legislation can be framed within the provisions of the Constitution, but also protect customers from this extremely risky form of credit.

Not a silver bullet

While we strongly support the prohibition of all forms of gambling with credit, we also acknowledge this is not a silver bullet, and more must be done by financial institutions, governments and other regulators in order to reduce the staggering amounts of losses, and the unsustainable level of harm in our community caused by gambling. In particular, the UK evidence shows that people severely impacted by gambling are much more likely to also access multiple forms of credit. The existing bans on offering credit from wagering services, and the proposed credit card bans will not completely eradicate the problem, but they will make a significant positive impact on the horrendous issue of gambling harm in this country. Every initiative is worth trying.

The Alliance has made a similar submission to this the Australian Banking Association's review into credit card use for gambling. We are disappointed that the industry has, for now, chosen not to act as a sector, but we are encouraged that more and more banks are offering full or partial customer block facilities. We commend NAB, and more recently Westpac, in particular for providing a pathway that has significantly increased the uptake of the block facility by allowing customers the discretion to manage the block via their account settings.

Relying on the financial services sector to take action, rather than imposing regulation at the locus of harm, is, in our opinion, a less effective strategy than adopting the amendments in the Bill.

The Alliance acknowledges that many of the regulations related to online or interactive gambling, including the National Consumer Protection Framework, and existing bans on credit, as well as age and identity verification for account holders, are ahead of similar regulations around land-based gambling.

Thank you once again for the opportunity to provide advice to the Senate Committee. If you have any questions about this submission, please do not hesitate to contact us. The Alliance looks forward to the passing of the Bill.

Yours sincerely,

Margaret Quixley
Acting Executive Director

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***Language disclaimer**

A widely used, standard definition of disordered gambling is that “Problem Gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community”¹⁶. While there is no agreement on definitions of “difficulties” or the scale of “adverse consequences” which would constitute harm, the Alliance believes that any difficulties and any adverse consequences are harmful. We avoid the use of the term “problem gambler” as it is stigmatising and victim-blaming. We recognise the Problem Gambling Severity Index used in clinical settings, but consider that even those gamblers characterised using that system as being at low or medium risk, can in fact experience significant harm. The Alliance aims to prevent or reduce harm from gambling, regardless of the risk factor of individual gamblers, and particularly with regard to their families, carers, colleagues and community, who are also impacted by gambling.

¹⁶ Neal, P., Delfabbro, P., & O’Neil, M. (2005). *Problem gambling and harm: Towards a national definition*. Commissioned for the Ministerial Council on Gambling. Prepared by the SA Centre for Economic Studies with the Department of Psychology, University of Adelaide. November 2005.
<http://www.adelaide.edu.au/saces/gambling/publications/ProblemGamblingAndHarmTowardNationalDefinition.pdf>