



**ALLIANCE FOR
GAMBLING REFORM**

Use of credit for gambling online

Alliance for Gambling Reform Policy Paper

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Executive summary

The Alliance for Gambling Reform (The Alliance) strongly supports the prohibition of gambling with credit including using credit cards, 'buy now, pay later' systems, digital or e-wallets and third-party payment mechanisms based on the principle that people should not be able to gamble with money they do not have.

Gambling with borrowed money is well-established as a risk factor for harmful gambling (Thomas, Swanton and Gainsbury, 2020) 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.

Recommendations

1. Banning all forms of online/ telephone gambling with credit, including using credit cards via the Interactive Gambling Act
 - a. The proposed definition of 'credit card payment' must include payments made via an 'e-wallet' or a 'digital wallet' and 'buy now, pay later' options
 - b. It must also include third-party payment mechanisms like PayPal, Apple Pay, Venmo and Google Pay
2. If a bookmaker is found to have accepted payment via credit, suitable penalties must apply and should mirror the changes made to fines possible for Australian casinos
3. There must be no exceptions for on-course bookmakers or telephone betting services which fall under the Interactive Gambling Act.

The Alliance also recommends that this policy needs to be regulated by a sufficiently resourced, national, independent regulator which oversees the licenses of all online wagering bookmakers rather than the current model which is state based regulation. Most major bookmakers are regulated in the Northern Territory where there is no Point of Consumption tax, minimal fines and relatively small license fees.

Introduction

Online gambling is the fastest growing segment of the Australian gambling market and has increased significantly following the coronavirus pandemic. Gambling harm is a major public health issue in Australia and it is critical that reforms are introduced with urgency to prevent and reduce its profound impacts.

During the development of, and continued implementation of the National Consumer Protection Framework for Online Wagering there was a significant missed opportunity to ban the use of credit for online wagering (Department of Social Services, 2022). The Framework only goes as far as to ban bookmakers from offering credit to their customers, arguably something that should never have been legal from the inception of the Interactive Gambling Act.

In 2020, the Senate Environment and Communications Legislation Committee on the Prohibition of Credit Card Use Bill (Interactive Gambling Act) failed Australian communities when it did not recommend supporting a bill to ban gambling online with credit. The reasons for the committee deciding not to support the bill was due to 'several unintended consequences of the Bill' (which the Alliance addresses in the Key Issues section of this policy paper), as well as steps which an industry body, Responsible Wagering Australia (RWA), suggested they were taking to ban credit use. It is not clear if RWA has continued to take steps towards banning credit on their partners' platforms. Regardless, however, relying on the gambling industry to implement a measure which will ultimately decrease their profits is flawed.

Since the 2020 Federal Committee there has been little movement from both governments or the industry towards banning gambling with credit. Simultaneously in 2020 the United Kingdom and Germany banned credit gambling through legislation (Computop, 2021).



Background

There is a strong link between credit card use and harm from online wagering in Australia (Financial Counselling Australia, 2021). Currently in Australia, credit cards cannot be used when gambling in licensed venues, casinos or TAB outlets. This cannot be tracked, however, when cash is used from credit accounts taken from ATMs (Eftpos terminals in some EGM venues ban withdrawals from credit accounts (VGCCC, 2018).

Online gambling providers are restricted when it comes to offering credit to customers, although there are exceptions to this rule when it comes to on-course bookmakers with telephone based services. These exceptions need to be abolished as per recommendation three.

The 2010 Australian Productivity Commission Report found those experiencing high levels of gambling harm were more than *four times* more likely to use credit cards to obtain cash advances for gambling than low-risk gamblers (Productivity Commission, 2010). Further, a recent 2023 study published by the Victorian Responsible Gambling Foundation (VRGF) highlighted that there is usually a high rate of interest that is charged for cash advances used to gamble which increases the burden of any losses (VRGF, 2023).

In 2020, the Australian Banking Association (ABA) *Community consultation on the use of credit cards for gambling* highlighted that there is strong community and institutional stakeholder support for legislation which bans the use of credit for gambling (ABA, 2020). In a submission to the ABA by the VRGF, they stated that the evidence linking credit with harm in the 2010 Australian Productivity Commission is indeed much starker and as the online gambling environment offers quick returns, it offers equally as quick - and much more likely - losses. The online gambling environment, which can be accessed at any time with a wide range of events to gamble on, is not conducive to rational calculation and therefore is an environment likely to increase harm substantially (VRGF, 2020).

In April 2020, the United Kingdom banned the use of credit cards as a payment method for all forms of gambling, both online and offline (UK Gambling Commission, 2021). This followed a number of studies and surveys conducted in the UK that found credit cards were disproportionately used by people being harmed by gambling - 47% of those who used credit cards to gamble were experiencing harm and were twice as likely to gamble on credit cards (UK Gambling Commission, 2019). Another UK study found that 49% of people experiencing or affected by gambling harm were using credit to gamble (Nash et al, 2018). An interim evaluation of the UK credit card ban indicates that it is popular among consumers and has not resulted in harmful unintended consequences (UK Gambling Commission, 2021).

Of the evidence and data available, there is a strong argument for amending the Interactive Gambling Act to ban credit for gambling, just as there is for most land-based gambling to ensure a significant reduction of gambling harm for those most vulnerable.

Key Issues

Gambling industry supporting a ban on credit but not by legislation

The 2020 Senate Environment and Communications Legislation Committee on the Prohibition of Credit Card Use Bill made a recommendation not to legislate a ban on credit. One of their justifications not to support the bill was that Responsible Wagering Australia (RWA) was developing measures to prohibit online credit card wagering in collaboration with its members. It is now 2023 and there appears to be no developments in that space. Further, not all wagering providers in Australia are RWA members. It is imperative that reforms that will prevent gambling harm be legislated, well regulated and also regularly monitored and evaluated to be effective and fit for purpose.

Impact on young people

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 and capacity. Young men (18 to 24) are the largest group of people gambling online in Victoria, and are the first generation who have grown up with gambling advertising and the normalisation of gambling in Australian culture (Rockloff et al, 2020). For a cohort particularly vulnerable to harms from online gambling there needs to be significant consideration given to the heightened risk of having easy available credit for young people to gamble.

Suitable fines

Currently, the majority of the major bookmakers in Australia are licensed in the Northern Territory by the Northern Territory Racing Commission (NTRC). The maximum fine available to the NTRC is a mere \$55,000. For a billion-dollar industry, fines of that size would not be having a substantial impact on the day to day operations of these operators. Recently, following inquiries and Royal Commissions into casino operations, fines available to regulators in Australia have increased to \$100 million (in Victoria, NSW and Queensland). Fines of this size have much more impact and reflect community expectations.

'Unintended consequences'

As stated in the outcome of the Senate Environment and Communications Legislation Committee on the Prohibition of Credit Card Use Bill (Interactive Gambling Act) the ban was not supported due to possible 'unintended consequences' from the amendment which can be seen below:

- the potential impact on the broader gambling community and lotteries;
- the possibility consumers would seek out other payment mechanisms;
- the possibility some consumers may shift towards greater use of unregulated offshore wagering; and
- increased use of third-party payment mechanisms

The Alliance firmly believes that the benefits of a ban on credit to prevent gambling harm to those most vulnerable far outweigh the risk of impact on 'broader gambling community and lotteries' - people should not be able to participate in any gambling products using credit. As for the possibility that consumers would seek other payment methods, The Alliance recommends that 'e-wallets or digital wallets' as well as 'buy now, pay later' services and third party payment mechanisms must be included in the ban. A monitoring and evaluation mechanism for this legislation means that if any additional payment mechanisms are identified, a ban can also be placed on those. And lastly, when it comes to the shift by consumers using unregulated offshore wagering, the Alliance would like to highlight that offshore wagering is illegal, it is regulated by ACMA and illegal offshore wagering providers that are found to be operating in Australia are generally well managed by ACMA.

Conclusion

The Alliance strongly advocates for the legislation of and prohibition of gambling with credit including using credit cards, 'buy now, pay later' systems, digital or e-wallets and third-party payment mechanisms based on the principle that people should not be able to gamble with money they do not have. It is crucial this legislation is supported with sufficient capacity to regulate effectively, be monitored and evaluated to ensure it remains fit for purpose and that as new technologies arise, the legislation is able to evolve and remain effective at protecting those most vulnerable to gambling harm.

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