

**TITLE OF REPORT: OSC Review – The impact of Gambling on the Borough  
Evidence Gathering – Fixed Odds Betting Terminals  
(FOBTs)**

**REPORT OF: Strategic Director, Communities and Environment**

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## SUMMARY

The Communities and Place Overview and Scrutiny Committee have agreed that it will carry out a review of the impact of gambling in Gateshead as part of the 2016/17 programme.

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### Background

The Committee agreed that the review will draw upon local and national evidence and will focus on:

- **Gambling in Gateshead** – the distribution, types and number of premises licensed for gambling and how this has changed over time; the types of gambling taking place in the borough
- **The legal framework for regulation of gambling and the role of the regulators** - the Gambling Act 2005 and the respective roles of the Gambling Commission and Gateshead Licensing Authority; the impact of other regulatory regimes on gambling activity
- **Local and national concerns about gambling** - evidence and observations from local and national regulators, operators, trade bodies, treatment providers, charities and public agencies
- **Developing research evidence on gambling related harm** - a review of recent developments and best practice and how it can be used in Gateshead to minimise gambling related harm.

The first evidence gathering session took place on 12 September 2016 and the Committee was provided with information explaining the legal framework which is in place for the regulation of gambling and advised on the extent of licensed gambling in the borough. The following issues were identified by the Committee:

- links to safeguarding with the aim to help vulnerable people who may have an addiction to gambling should be explored.
- promotion and advertising on television of various gambling premises / websites could be attributable to increased levels of gambling.
- the potential amount of money that goes out of the borough through the sale of national lottery tickets and scratch cards continues to be a concern.
- it would be beneficial for a representative of the Gambling Commission to attend a future evidence gathering session.

## **Purpose of this Session**

This second evidence gathering session will focus on Fixed Odds Betting Terminals (FOBTs) which have proved controversial since they were first introduced.

Fixed odds betting terminals (FOBTs) are electronic machines, sited in betting shops, which contain a variety of games, including roulette. Each machine accepts bets for amounts up to a pre-set maximum and pays out according to fixed odds on the simulated outcomes of games.

FOBTs are classed as B2 gaming machines under the Gambling Act 2005 and up to four machines can be sited on betting premises. The maximum stake on a single bet is £100 and the maximum prize is £500.

While concerns have been raised, the gambling industry maintains there is no evidence of a causal link between B2 gaming machines and problem gambling. It also claims that reducing the maximum stake to £2, as some critics are campaigning for, would put betting shops and jobs at risk.

The Responsible Gambling Strategy Board, a body advising the Gambling Commission, have expressed concern that correlations and associations between gaming machines and gambling-related harm are “poorly understood”.

In December 2014, the Responsible Gambling Trust (RGT), a charity working to minimise gambling related harm, published a set of research reports on category B machines which suggested that there were patterns of play that could be used to identify problem gambling, however an independent research oversight panel said that further studies would be needed before policies could be devised that targeted problem gamblers. The RGT has an ongoing research programme looking at gambling behaviour and strategies to minimise gambling-related harm.

In April 2015 the Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015 came into force. The Regulations require those wanting to stake over £50 on a B2 machine to load cash via staff interaction or to use account based play. The aim is to encourage greater player control and more conscious decision making.

The Government are considering an evaluation of the Regulations carried out in January 2016 before deciding on any further action on B2 gaming machines.

In April 2016 it announced that the RGT was commissioning a research project to study the cost of gambling-related harm to Government and subsequently commissioned the Institute of Public Policy Research (IPPR). The findings of the IPPR study will be presented at RGT’s annual Harm Minimisation conference on 7-8th December 2016.

More recently the Fixed Odds Betting Terminals (FOBT) All Party Parliamentary Group has been created to provide a forum for discussion and further investigation into the impact of FOBTs in our communities. In a series of hearings, the inquiry will be taking oral evidence from the range of stakeholders in the FOBT debate from gambling addiction experts and FOBT users, to regulators, bookmaker Chief

Executives and their representatives. The Group will publish its findings in early 2017.

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## **1. What are fixed odds betting terminals?**

- 1.1 Fixed odds betting terminals (FOBTs) are electronic machines, sited in betting shops, on which customers can play a variety of games, including roulette. Each machine accepts bets for amounts up to a pre-set maximum and pays out according to fixed odds on the simulated outcomes of games.
- 1.2 FOBTs were introduced into betting shops in 1999, with a small number of high margin games available. Changes to the taxation of gambling (ie the introduction of a gross tax on profits) came into effect in October 2001 and allowed the betting industry to introduce new lower margin products, such as roulette, to FOBTs. This led to the “increasing installation” of FOBTs in betting shops. By April 2005, an estimated 20,000 terminals were in use.
- 1.3 The Gambling Act 2005 classified FOBTs as B2 gaming machines. By the time the 2005 Act came into force in September 2007, the Culture, Media and Sport Committee said there were roughly 30,000 FOBTs in place.
- 1.4 An operating licence (issued by the Gambling Commission), together with a betting premises licence (issued by the licensing authority), allows for up to four B2 machines to be sited on betting premises. The maximum stake on a single bet on a B2 machine is £100; the maximum prize is £500. As there are currently 42 licensed betting premises in Gateshead there are potentially 168 FOBTs in Gateshead.

## **2. Why are FOBTs controversial?**

- 2.1 FOBTs have proved controversial since they were first introduced. Critics point out that it is possible to lose large amounts of money playing on the machines. They also claim the machines have strong “reinforcing features” and a causal role in problem gambling. The Campaign for Fairer Gambling (CFG) is running a “Stop the FOBTs” and wants the maximum stake reduced to £2.  
The Association of British Bookmakers (ABB) claims there is no evidence of a causal link between B2s and problem gambling. The evidence on the exact causal role (if any) of B2 machines in problem gambling is inconclusive and so the controversy continues.
- 2.2 The Responsible Gambling Strategy Board (RGSB, an independent body advising the Gambling Commission) has said that there is a complex relationship between gaming machines, gambling and problem gambling and that the “correlations and associations” between gaming machines and gambling-related harm are “poorly understood”. However, after looking at data from the British Gambling Prevalence Survey 2010, the RGSB did acknowledge that there was “a growing group of gamblers participating in

machines in bookmakers who might be more at risk of problem gambling given that age, gender and income are all correlated with problem gambling”.

2.3 The RGSB also noted the “regulatory dilemma” of balancing the enjoyment of the majority who gamble without experiencing harm with the protection of a minority who are at risk.

2.4 In December 2014 the Responsible Gambling Trust (RGT, a national charity working to minimise gambling-related harm) published research into gaming machines in betting shops. The research was commissioned by the RGT to distinguish between harmful and non-harmful machine play and to understand measures that might help those at risk.

2.5 The legal status of FOBTs was initially controversial. Under the legislation in place at the time of their introduction, FOBTs were not classed as gaming machines and so there were no limits on where they could be placed and in what numbers. Concern was raised as early as 2003 about the “increasing installation” of FOBTs in licensed betting offices and the risk to problem gambling this presented. A code of practice agreed in November 2003 meant that:

- licensed betting offices could operate no more than 4 machines in total (whether conventional gaming machines or FOBTs, or a mix of the two)
- the maximum prize on FOBTs would be £500 and the maximum stake £100
- no casino games other than roulette would be allowed on FOBTs
- the speed of play on FOBTs would be restricted

2.6 When the Joint Committee was examining the Draft Gambling Bill in 2003/04 concerns were raised about the impact on problem gambling of FOBTs by GamCare (the charity that runs the national helpline for problem gamblers) and Gordon House (a charity providing support and treatment to addicted gamblers).

### **3. The Gambling Act and B2 machines**

3.1. Following considerations of the concerns raised during the examination of the Draft Gambling Bill FOBTs were classified as B2 gaming machines under the Gambling Act 2005.

3.2 The 2005 Act regulates gambling in Great Britain. The Act introduced, among other things, a new framework for gaming machines, including new categories of machine, and powers to prescribe maximum limits for stakes and prizes, as well as the number of machines permitted in different types of premises. Under the Act, gaming machines are categorised as A, B, C, or D. An operating licence (issued by the Gambling Commission), together with a

betting premises licence (issued by the licensing authority), allows for up to four B2 machines to be sited on betting premises.

- 3.3 The maximum stake on a single bet on a B2 machine is £100, the maximum prize is £500.
- 3.4 In January 2012, Richard Caborn, the Minister at the time of the Gambling Bill said to the Culture, Media and Sport Committee:

“... Whether we got it right on allowing four—whether it should have been three or four—I do not know, but that was the discussion at the time. That arrangement was negotiated between the officials and the betting industry and it held, in my view, right up to the Act, then it was confirmed in the Act itself.

- 3.5 Tessa Jowell told the Committee that she had said during the passage of the 2005 Act that FOBTs were “on probation”. She was concerned about unintended consequences relating to the machines; about the gambling industry becoming “overly dependent” on growth driven by the machines; and about their role in problem gambling. On deciding on the number of machines to be permitted in each betting shop, Ms Jowell said:

...at the time that four was settled on as the number, there was no certainty that these machines would remain, because we were absolutely clear that we could not know at that stage that their effect was likely to be.

- 3.6 In a January 2016 letter to the Times, Baroness Jowell called for the Government and Gambling Commission to take action over B2 machines. She also said that local authorities should be able to restrict planning consent for new betting shops.

#### **4. The concerns**

- 4.1 Much of the ongoing controversy concerns the role, if any, of B2 machines in problem gambling. Some of the relevant issues highlighted by participants in the debate are set out below.

#### **4.2 Gambling Commission study (December 2008)**

In December 2008, the Gambling Commission published the results of desk research that focused on:

- the causal links (if any) between the availability of high-stake, high prize gaming machines and the development of problem gambling
- the attraction of these machines to existing problem gamblers
- the exacerbation of gambling problems from access to such machines

The report found there was “relatively little relevant evidence from studies carried out in adult gamblers in Great Britain” but also said that much research in other jurisdictions suggests that there are associations between

machines and problem gambling and that evidence suggests that while gaming machines appear to appeal to many gamblers, they seem to be particularly attractive to those at risk of problem gambling and to those with a gambling problem.

#### 4.3 Culture, Media and Sport Committee report (July 2012)

The Culture, Media and Sport Committee looked at gaming machines and problem gambling in its July 2012 report on the Gambling Act 2005. The report said the allocation of gaming machines under the Act was “complex and was not made on the basis of solid evidence about the risk of problem gambling”. It noted the controversy over B2 machines, citing some of the differing evidence it had received on their role in problem gambling.

The Committee recommended that research should be commissioned by the Gambling Commission to assess whether there were any links between speed of play, stake and prize levels, the accessibility and numbers of gaming machines, and problem gambling.

#### 4.4 Association of British Bookmakers' position

The ABB's position is set out in its April 2013 submission to the DCMS triennial review of maximum stake and prize limits. This claims there “is no evidence of a causal link between problem gambling and electronic gaming”: It also claims that the average amount spent by customers on a B2 gaming machine is around £11 per machine per hour and 74% of B2 players play once a month or less which is hardly reflective of an addictive product, there is no evidence of a causal link between gaming machines and higher levels of problem gambling and the percentage of identified problem gamblers playing on B2 machines actually went down by 20-25% from 2007 to 2010.

It pointed out that research commissioned by the Responsible Gambling Fund in 2011 found that there was a distinct lack of clear evidence linking electronic machines to problem gambling.

The ABB paper refers to the economic and social benefits of licensed betting offices. It claims that a reduction to £2 of the maximum stake on B2 machines would put 90% of betting shops and nearly 40,000 jobs at risk and result in the Treasury losing nearly £650 million in tax.

An April 2014 report by Landman Economics challenged the ABB's April 2013 paper claiming that “overall there is reasonably strong evidence of a link between FOBTs and problem gambling based on a wide range of previous research from academic studies”.

#### 4.5 Stop the FOBTs campaign

The Campaign for Fairer Gambling (CFG) have commissioned a number of research reports and is running a ‘Stop the FOBTs’ campaign. The CFG states it is not anti-gambling but wants “strong action” taken against B2 machines, claiming that the average regular B2 gambler loses nearly £2,000 per year while bookmakers win over £0.6 billion per year from “addicts”.

According to the CFG, when compared to other gambling activities, FOBTs have:

- the joint highest ratio of use by 16 to 24-year old gamblers
- the highest ratio of use by the lowest income quintile gamblers
- the second highest ratio of use by unemployed gamblers
- the third highest ratio of at-risk “high-time and high-spend” gamblers

The CFG recommends:

- reducing the number of machines from four per shop to one
- reducing the current maximum stake from £100 to £2
- removing table game content from FOBTs (because the pace of these games is faster than in real casinos)
- reducing the spin frequency, by increasing the current delay of 20 seconds between wagering to 60 seconds

#### 4.6 The Triennial Review (2013)

The Department for Culture, Media and Sport’s consultation on proposed changes to gaming machine stakes and prizes (the “triennial review”) found there was “little material based on robust evidence received from those concerned about the social impact of B2 machines.” And stated that the Government’s preferred option was for B2 stake and prize limits to remain the same until “robust” evidence was gathered on their role in problem gambling.

The Gambling Commission set out its formal advice on the triennial review acknowledging that there was a “serious case” to answer in relation to B2s but said a precautionary reduction in stakes was “unsupported by the available evidence”.

The Gambling Commission’s letter drew on advice from the RGSB which noted the “regulatory dilemma” of balancing the enjoyment of the majority who gamble without experiencing harm with the protection of a minority who are at risk.

According to the RGSB, the “right course” was to try and clarify the answers to all of the concerns being raised and that it was “incumbent on the industry to help bring some certainty to them”

In its October 2013 response to the triennial review, the Government recognised the potential for harm from playing B2 machines. It also acknowledged the “very significant public concern” about B2s and that gambling charities had indicated that a significant proportion of people reporting to them had problems with playing the machines.

However there would be no change to the maximum stake of £100. While it was clear that reducing stakes on B2 machines would have an adverse

economic impact on the betting industry, the Government said it was not clear how great an impact a reduction would have on gambling related harm.

The Government acknowledged that there was a “serious case to answer” about the potential harm caused by B2s and that their future was unresolved. It noted that the RGSB had identified “significant knowledge gaps” and that the “current lack of transparency around the impact of B2 gaming machines is something that the industry must address.”

Following the triennial review, the Categories of Gaming Machine (Amendment) Regulations 2014 were approved on 4 December 2013 and made no change to the maximum stake on B2 machines.

## **5.0 Government action**

### **5.1 Gambling Protections and Controls (DCMS April 2014)**

Although the then Government said that it would be waiting for the results of the RGT research programme before making any decision on the future of B2 machines the DCMS published a document in April 2014 looking at planning and advertising issues as well as gaming machines.

The document said that the Government was adopting a precautionary approach to high stake gaming machines on the high street and that customers wanting to access higher stakes (over £50) would be required to use account-based play or load cash over the counter.

### **5.2 Gaming Machines (Circumstances of Use) (Amendment) Regulations 2015**

The Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015 came into force from 6 April 2015 in order that customers would benefit from “improved interaction and more conscious decision making”

The Regulations mean that a customer cannot pay more than £50 for a single play on a B2 machine unless the customer has verified their ID, that payments to be used to stake in excess of £50 are made as a result of a face to face interaction between the customer and staff, and that customers are permitted to stake in excess of £50 by applying a money prize won on the B2 machine.

This account-based play gives players access to up-to-date and accurate data in the form of activity statements and real time information about their session of play. This can reduce biased or irrational gambling-related decisions, and help people to maintain control.

Making staff interaction a compulsory component of high staking machine play ensures greater opportunities for intervention where patterns of behaviour indicate that someone may be at risk of harm from their gambling.

### **5.3 Evaluation of the Regulations (January 2016)**

In January 2016, the DCMS published an evaluation of the Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015.



On player control, the evaluation found that despite marketing campaigns, there had been a relatively low uptake of verified accounts and over the counter authorisation of stakes over £50 appeared to happen in a very low percentage of sessions.

The evidence showed a large number of players opted to stake below £50 and increase the duration of their session in response to the Regulations.

There had been changes in the amount bet in stakes and at what range.

In response to a number of parliamentary questions on B2 machines, the Government has said that the evaluation of the 2015 Regulations “indicates that a large proportion of players of FOBTs may now be making a more conscious choice to control their playing behaviour and their stake level. We will now consider the findings of the evaluation before deciding if there is a need for further action”.

## **6. Betting industry initiatives**

### **6.1 Association of British Bookmakers (ABB) code of practice**

An ABB Code for responsible gambling and player protection in licensing betting offices was published in September 2013. A number of measures relating to gaming machines came into operation from 1 March 2014 including suspensions in play if voluntary time and money limits are reached; mandatory alerts that tell players when they have been playing for 30 minutes or when £250 has been spent; training staff to recognise the opportunity to interact with customers repeatedly loading money; and no longer siting cash machines that can be used from within a betting shop.

Additional measures were introduced in November 2014 requiring gaming machine customers to make a choice as to whether they wish to set a time and/or money limit.

An evaluation of the early impact of the Code was published in December 2015. This used transactional data recorded by machines for registered loyalty card users so that potential differences in previous gambling history could be taken into account.

The evaluation explored the impact of the Code on the length of time spent gambling on machines during a session of play; the amount of money gambled on machines during the session; the proportion of machine gambling sessions which lasted 30 minutes or more; and the proportion of machine gambling sessions in which individuals inserted £250 or more into the machine.

The evaluation did not find any statistical evidence that the Code had an impact on the four outcomes. However it said that it would be “premature” to draw any conclusions about the Code’s effectiveness.

## 6.2 Senet Group

The Senet Group, founded by William Hill, Ladbrokes, Coral and Paddy Power, was launched in September 2014. Membership is open to any gambling operator. The Group's members have committed to adhere to industry codes of practice, including that of the ABB. They have also pledged not to advertise gaming machines in betting shop windows and to dedicate 20% of shop window advertising to responsible gambling messages.

The Group can "name and shame" operators who breach the above commitments as well as imposing fines. Gambling operators who repeatedly breach the code will not be able to use the Senet Group logo and could be expelled from the Group.

## 6.3 Self-exclusion schemes

It is a requirement of the Gambling Commission's licence conditions and codes of practice that gambling operators offer customers the opportunity to prevent themselves from gambling by "self-excluding". The minimum period of time is six months. Responsibility for continuing to self-exclude lies with the customer although gambling operators should do all they "reasonably can" to help.

## 6.4 Player awareness scheme

In December 2015, the ABB announced details of a new Player Awareness Scheme (PAS) which is a response to the RGT's ground-breaking December 2014 research that showed it was possible to distinguish between problem and non-problem gambling behaviour by players using gaming machines in licensed betting offices. All members of the ABB have signed up to the initiative, which is believed to be a world first in retail betting.

Systems analyse the behaviour of those playing on gaming machines when they are logged in to a customer account. Customer behaviour is then assessed against a range of markers of problem gambling and alerts (via text, email, or on-screen) can subsequently be sent to players. These include signposting to responsible gambling tools such as setting limits on machines or self-exclusion, and directing customers towards the National Gambling Helpline / [gambleaware.co.uk](http://gambleaware.co.uk) or to speak to a member of staff

PAS encourages customers to think about how they are gambling. Continued problematic play may result in direct interaction from a member of staff. It will be independently evaluated during 2016 by PricewaterhouseCoopers.

## 7. **Current situation**

FOBTs remain controversial and continue to generate headlines and there is a lot of discussion going on across the country.

## 7.1 Newham Council

The Sustainable Communities Act 2007 (as amended) permits local authorities to make proposals to the Government for policy changes to facilitate the creation of sustainable communities.

In November 2014, Newham Council lodged a proposal with the Department for Communities and Local Government (DCLG), demanding that the Government reduce the maximum stake on B2 machines to £2. The proposal was supported by 93 councils - 31 from London and 62 others from around the country.

The Government rejected the proposal on 15 July 2015. In a letter to Newham Council, Marcus Jones, Minister for Local Government, said:

(...) the Government currently does not support calls set out in the submission for a reduction in stake size on B2 gaming machines. We are not convinced that local authorities have yet made the most of the powers that are already available to them under either planning or gambling law.

(...) In terms of gambling...it is perhaps an uncomfortable reality that every one of the betting shops that collectively have given rise to the concern at the heart of the submission relies on a premises licence granted by the local authority itself. While local authorities are bound by law to aim to permit gambling insofar as reasonably consistent with the licensing objectives...the licensing process gives authorities considerable scope to attach additional conditions to licences where that is necessary to achieve the licensing objectives; to review licences once they have been granted; and power to impose licence conditions after review.

## 7.2 Lords Private Members' Bill

On 3 June 2015 Lord Clement-Jones (Liberal Democrat) introduced a Private Members' Bill, the Gambling (Categorisation and Use of B2 Gaming Machines) Bill [HL] 2015-16.

The Bill would reduce the maximum individual charge for a single play on a B2 machine from £100 to £2. The Bill would allow for the maximum charge to be reviewed every three years and, if required, to be amended in line with inflation. The Second Reading debate took place on 11 March 2016. After debate, the motion was agreed to and the bill was committed to a Committee of the Whole House.

## 7.3 Ongoing research

The Responsible Gambling Trust has an ongoing research programme looking at gambling-related harm.

On 19 April 2016, the RGT announced that it was commissioning a research project to study the cost of gambling-related harm to Government. The invitation to tender gives further detail on the purpose of the project.

#### 7.4 Fixed odds betting terminals All Party Parliamentary Group

This group has launched an inquiry *Fixed Odds Betting Terminals (FOBT) – Assessing the Impact* and in a series of hearings, the inquiry will be taking oral evidence from the range of stakeholders in the FOBT debate from gambling addiction experts and FOBT users, to regulators, bookmaker Chief Executives and their representatives. The first session of its inquiry in Parliament took place on Wednesday 6 July 2016.

In the group's first evidence session, Parliamentarians heard from gamblers who have experienced at first hand, the problems which can be caused by Fixed Odds Betting Terminals. They also heard from the Campaign for Fairer Gambling who has been campaigning to get the maximum stake that can be wagered from £100 to £2.

The inquiry is running from now until the end of the year and the group will publish a report setting out its findings early in 2017.

#### **8. Recommendation**

It is recommended that the Committee gives its views on the evidence presented.