

TITLE OF REPORT: Fixed Odds Betting Terminals – an update
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1. Purpose of the Report

To provide Members with an update on Fixed Odds Betting Terminals which have been controversial since their introduction and remain the subject of national debate.

2. Background

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 were introduced into betting shops in 1999 and by the time the Gambling Act 2005 came into force in September 2007 there were roughly 30,000 FOBTs in place.

The Act classes FOBTs as B2 gaming machines 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. As there are currently 42 licensed betting premises in Gateshead there are potentially 168 FOBTs in Gateshead.

3. Why are FOBTs controversial?

FOBTs have proved controversial since they first appeared. 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 gambling industry claims there is no evidence of a causal link between B2s and problem gambling and that reducing the maximum stake to £2 would put betting shops and jobs at risk.

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” but 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”.

The RGSB also note 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.

3. The debate

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

Gambling Commission study (December 2008)

In December 2008, the Gambling Commission published the results of desk research that focused on the causal links 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 and 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.

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.

Association of British Bookmakers

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".

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 ration 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

The Triennial Review (2013)

The DCMS'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”.

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 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.

In April 2015 the Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015 came into force requiring 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.

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.

4. Government action

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.

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

In January 2016, the DCMS published an evaluation of these Regulations which 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.

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”.

5. Betting industry initiatives

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 with 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. It 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:

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.

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.

Player awareness scheme

In December 2015, the ABB announced details of a new Player Awareness Scheme (PAS) which is a response to 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 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.

6. Current situation

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

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

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.

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.

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 their findings early in 2017.

DCMS Call for Evidence

On 24 October 2016 the government launched a call for evidence on aspects of the gambling industry including considering the maximum stakes and prizes for gaming machines. This will include looking at Fixed Odds Betting Terminals and concerns about the harm they cause, to the player and the communities in which they are located.

Evidence will also be sought on measures to protect against gambling related harm including the impacts of gambling advertising and whether the right regulations are currently in place to protect children and vulnerable people.

The call for evidence period begins immediately and will close on 4 December. Government will then consider proposals based on robust evidence.

Recommendations

The Committee Members are asked to note the content of this Report.