


Gambling review and reform: towards a new regulatory framework

TWO MINUTE SUMMARY

AUGUST 2020

SMF

Social Market
Foundation

 [Download the full report here](#)

This report puts forward a series of policy recommendations ahead of the anticipated Government review of the 2005 Gambling Act.

It builds on the body of evidence contained in recent reports published by the House of Lords Select Committee Inquiry, the National Audit Office, the Public Accounts Committee and the All-Party Parliamentary Group for Gambling Related Harm. It assesses some of the key regulatory and legislative features of gambling policy from 2005 to the present day. And it proposes a new framework for reform.

The Government has described the need to bring an “analogue Act” into line with the “digital age.” Much of the debate around gambling reform centres on the fact that online gambling – increasing both in popularity and profitability – is not subject to the same controls as equivalent land-based content. For this reason, the authors of this report focus primarily on the question of online gambling.

The report examines five main topics:

1. Gambling licences
2. Gambling content
3. Gambling affordability
4. Gambling tax
5. The regulatory framework for gambling

This report is designed to be a practical roadmap of first principles for the reform of gambling regulation and the industry. It encourages collaboration across government departments, fairness in the market, and a culture of corporate and social responsibility among operators active in Britain today.

1 - Gambling licensing

The authors argue that the integrity of British gambling licences – and by extension, the integrity of the licensing objectives enshrined in the 2005 Gambling Act – has been eroded by a combination of regulatory failure and industry malpractice. The result is that public confidence in the licensing objectives (that gambling should be fair, free of crime and that it should not harm vulnerable people) is in decline.

The report makes recommendations for how confidence and credibility in British gambling licences can be regained. Specifically, it proposes **the introduction of a mandatory kitemark** for all licensed operators; it calls for **an end to the so-called ‘white label’ scheme**; and it highlights **the need for a transparent system of regulatory sanctions**, in line with best practice in other sectors.

2 - Gambling content

The report advocates **the introduction of a system of controls for remote gambling**, based around limits on the stake and speed of play. **For online slot content, the report acknowledges the regulatory reality of stake limits within a now-established spectrum of possibility of between £1 and £5.** For online non-slot content, the report accepts that similar limits would make that content commercially non-viable, and the authors advocate limits to game design instead.

3 - Gambling affordability

The report puts forward a working definition and model of multi-operator affordability based on an analysis of income and living standards. Based on their analysis of this data, **the authors recommend the introduction of a ‘soft cap’ limit of £100 per month on net deposits.**

This cap reflects the reality of what the majority of gamblers already spend, accommodates a ‘socially acceptable’ threshold of leisure spending, and ensures that gambling spend does not exceed poverty thresholds for lower income households. The report proposes that **the new Gambling Ombudsman should be placed in charge of the operator data needed to implement this affordability process.**

4 – Gambling tax

The report recommends that Government should, as part of its wider review of gambling legislation, conduct **a review of all gambling taxation since the 2014 Gambling (Licensing and Advertising) Act. Government should make an assessment of potential changes to gambling duty in relation to the onshore ‘footprint’ of operators**, defined in terms of a minimum threshold of capital, human, social, legal and digital presence in the UK.

The report advocates a system of inbuilt incentives – most likely in the form of tax rebates on any future increased rates of Remote Gaming Duty and Betting Duty – **for companies which have established a sufficient amount of their activities onshore.**

5 – The regulatory framework for gambling

This report recommends a change to the way in which Government organises its departmental oversight of gambling.

The authors argue that **the existing tripartite arrangement should be replaced with a new cross-departmental ‘Gambling Quartet’** consisting of: a **Gambling Licensing Authority** (to replace the Gambling Commission), under the sponsorship of the Ministry of Justice; a new **Gambling Ombudsman**, under the sponsorship of the Department for Business, Energy and Industrial Strategy; **the funding and commissioning of Research, Education and Treatment channelled via a statutory levy through the NHS and UK Research Councils**, under the sponsorship of the Department of Health and Social Care;

and the **oversight of advertising, the Lottery, and sporting and cultural events** relating to gambling retained under the sponsorship of the Department for Digital, Culture, Media and Sport.

The recommendations in this report are designed to complement those of the House of Lords Select Committee Inquiry and the All-Party Parliamentary Group for Gambling Related Harm, so that Government has a full range of options ahead of its anticipated review of the 2005 Gambling Act.

Summary of recommendations

Gambling licenses

- The introduction of a British gambling “kitemark”.
- The end of the white label scheme.
- The introduction of Personal Functional Licences (PFLs) in the remote sector.
- The introduction of a transparent system of Gambling Commission sanctions.

Gambling content

- A new categorisation of gambling content.
- The introduction of limits online.
- A review of the evidence base on gambling-related harm.

Gambling affordability

- The introduction of a multi-operator affordability model.
- The introduction of weekly ‘soft cap’ thresholds on net deposits.
- Placing the new Gambling Ombudsman in charge of affordability.

Gambling tax

- A review of gambling taxation.
- The introduction of a minimum ‘onshore footprint’ threshold for remote operators.
- A review of the 2014 Gambling (Licensing and Advertising) Act.

The regulatory framework for gambling

- The end of the tripartite arrangement.
- The introduction of new Government ‘Gambling Quartet’.