



Department
for Culture
Media & Sport

Call for Evidence

A call for evidence exploring the current balance across society lotteries, The National Lottery and competing gambling products in raising funds for good causes and maintaining player protection.

December 2014

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Foreword by the Minister for Sport and Tourism



It has now been nearly a decade since the introduction of the Gambling Act 2005 which governs society lotteries. In that time, and in recent years particularly, there have been rapid developments in the lottery and commercial gambling sector. Strong growth in society lotteries, a trend to online gaming and innovations in products and marketing have seen, arguably, a convergence in the market; the evidence available would suggest the characteristics that once made The National Lottery, society lotteries and the commercial gambling sector distinct, are now less clear.

The Government is committed to ensuring that all lotteries are able to maintain and grow their share of the market for good causes while upholding player protection. We are also committed to maintaining the health of the National Lottery. We are now calling for evidence to help us look more closely at the current position and consider if changes are required in light of that evidence.

We invite submissions from across the sectors, from The National Lottery, society lotteries, commercial operators, players and other interested parties and we encourage feedback to the questions asked in this document.

I look forward to hearing your views.

Helen Grant MP

Scope of Call for Evidence

1. This Call for Evidence covers the United Kingdom. We particularly seek views from those within the lotteries sectors that might be affected by the proposals. This will include those that benefit directly or indirectly from funding provided through the National Lottery. It may also be of interest to those in other gambling business sectors. We welcome views from anybody and all responses will be carefully considered. The Call for Evidence will close on **4 March 2015**. Please send responses to jeremy.stewart@culture.gov.uk

If you do not have access to email, please respond to:

Call for Evidence
Gambling, Regulation and Lottery Team
DCMS
4th floor
100, Parliament Street
London SW1A 2BQ

2. This Call for Evidence is intended to be an entirely written exercise. Please contact the Gambling, Regulation and Lottery Team on 020 7211 6149 if you require any other format e.g. Braille, Large Font or Audio.
3. For enquiries about the handling of this Call for Evidence please contact the DCMS Ministerial Support Team at the above address or email using the form at www.culture.gov.uk/contact_us heading your communication "Call for Evidence on Society Lotteries".
4. Normal practice is for copies of responses to be published on the Department's website www.culture.gov.uk after the close of the Call for Evidence. Before responses are published any personal information will be redacted, e.g. email addresses and telephone numbers.
5. Information provided in response to this Call for Evidence, including personal information, may also be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 ("FOIA"), the Data Protection Act 1998 ("DPA") and the Environmental Information Regulations 2004).

6. If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, please identify, and provide explanation for, any information that you consider confidential and do not wish to be disclosed.
7. If we receive a request for disclosure of the information, we will take account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. It would need to be considered appropriate under the relevant legislation. You should note that many fax and email messages carry, as a matter of course, a statement that the contents are for the eyes only of the intended recipient. In the context of this consultation such appended statements will not be construed as being requests for non-disclosure unless accompanied by an additional specific request for confidentiality.
8. The Department will handle personal data in accordance with the DPA, and in the majority of circumstances, this will mean that your personal data will not be disclosed to third parties.

Background to Call for Evidence

9. Gambling and lottery regulatory frameworks are based on the premise that the National Lottery, society lottery and commercial gambling markets are, and should be, distinctive. Developments in recent years such as the growth in external lottery managers/umbrella schemes and betting products linked to society lotteries have led us to question whether the boundaries between these markets are becoming blurred and whether this blurring could have adverse impacts on funding for good causes raised by lotteries of all types.
10. In particular the scale and reach of the Health Lottery and the publicity it garnered caused concerns that the unique national nature of the National Lottery and the good cause funds it raised were under pressure.¹ Camelot sought a Judicial Review of the Gambling Commission's decision to licence the Health Lottery. The judgement at the end of August 2012 found in favour of the Commission, thereby confirming that the Health Lottery met the requirements of the legislation. As a consequence in 2012 we committed to consult on whether the regulations for society lotteries should be tightened so that the proportion that society lotteries should give to good causes should be on a similar basis as the National Lottery.² We initially intended to consult in 2013.
11. During pre-consultation engagement with stakeholders, and as the impact assessment and consultation options were developed, it became apparent that such a consultation would be too narrowly focused given emerging and overlapping issues. As a result Ministers agreed we should delay the consultation until 2014 with a view to broadening its scope.
12. Over this time there were further developments in the lottery and gambling markets including:

¹ The Health Lottery is a consortium of 51 society lotteries that operate nationally under a single brand. Each society holds a society lottery licence. It is managed by a single External Lottery Manager owned by Northern and Shell media group and has been promoted heavily across the UK, particularly through Northern and Shell's own channels.

² Society lotteries have to give a minimum 20p in the pound to good causes. The National Lottery returns around 26p in the pound to good causes averaged across the portfolio of games (though this is not a statutory requirement) and 12p in the pound to the Government through lottery duty.

- Simultaneous growth of the National Lottery and society lottery sectors, displaying no clear evidence that the success of society lotteries has any significant effect on the National Lottery³;
- New gambling products looking and feeling like lotteries, but with different characteristics and no legislative requirement to return any money to the good causes;
- Further online expansion across all sectors.

13. Given this we concluded that we needed to gain more of an understanding of how the current market operates and the competing interests of those within the market before we put forward any reforms. We have therefore decided to issue a call for evidence that will test the need for any future reforms rather than proceed to a reform programme which may have unforeseen consequences on a rapidly changing area.

14. We note that over the last five years all sectors have grown and while there has been some change in the balance between the National Lottery and Society Lotteries, the share of the overall market taken by the lottery sector has remained constant.

Table 1: Growth and Market Share in the Lottery and wider gambling sectors

Growth	Apr 2009 to Mar 2014	
TNL (stakes - prizes)		16%
Large Society Lotteries (stakes - prizes)		93%
All gambling excluding TNL (stakes - prizes)		26%
All gambling (stakes - prizes)		23%
Lottery Market Share (stakes - prizes)	2009/10	2013/14
TNL share of all lotteries	94%	91%
Large Society Lotteries share of all lotteries	6%	9%
Market Share (stakes - prizes)	2009/10	2013/14
Lottery (TNL plus Large Society Lotteries) as % of overall gambling	35%	34%
Other gambling (non-lottery) as % of overall gambling	65%	66%

³ A 2012 report by NERA Economic Consulting (commissioned by the Department of Culture, Media and Sport and the Gambling Commission) did not find any evidence of a significant reduction in National Lottery sales as a result of the launch of the Health Lottery.

The basic premise that underpins the Call for Evidence is that the Government wishes to:

- Maintain appropriate relative market shares of the National Lottery, society lotteries and commercial gambling and allow them to raise the maximum amount possible for good causes;
- Ensure players of all forms of gambling are suitably protected;
- Continue to support growth and innovation across the markets.

15. Clearly these three aims cut across each other and have to be suitably balanced. For example, removing regulations to support the growth and innovation in the commercial gambling sector could affect both the amounts raised for good causes and the level of protection afforded to players. Equally in attempting to maintain lotteries' share of the market we could risk unacceptably aggressive promotion of gambling. We have therefore attempted to frame questions throughout the Call for Evidence that promote this sense of balance.

16. In order to inform the Call for Evidence we asked the Gambling Commission to provide us with advice on the boundaries between the National Lottery, society lottery and commercial gambling markets and how any changes therein may affect both public perception and the returns to good causes from the National Lottery and society lotteries. We have used the conclusions of the advice throughout the Call for Evidence and the full advice can be found at **Annex A**.

17. At the time of writing, the Culture, Media and Sport Committee is, separately, investigating Society Lotteries, specifically examining the role of society lotteries and their place within a system which includes 'umbrella' society lotteries and the National Lottery.⁴ This follows calls from the society lottery sector to change the regulations under which they operate to allow them to raise more for good causes by expanding the sector. While the Committee's investigation is narrower in scope

⁴ See paragraph 34 for an explanation about umbrella schemes.

than ours, it will be a useful source of additional evidence when determining what action we may wish to take in the future.

Section 1: The Lottery Landscape

18. The National Lottery was set up under the National Lottery etc. Act 1993 as a monopoly. Evidence at the time indicated that maximising jackpots by having a single large-scale lottery provider was the most effective way of encouraging people to play, thus maximising sales and returns to a wide range of good causes through designated distribution bodies. The National Lottery has been successful in this aim, raising over £32bn in its 20 years of existence - £1.7bn in 2012/13 alone. It has had a transformative effect on the UK, with projects funded right across the country, from the large scale national projects such as the National Memorial Arboretum and the Millennium Centre to thousands of small-scale local projects.

19. Society lotteries, permitted under the Gambling Act 2005, raise money for specific good causes and are limited in size in order to ensure they do not challenge the National Lottery's monopoly. In 2013/2014 they raised £175 million for good causes from a total of £376.9m sales.⁵ Sales have risen rapidly over the last five years (for example in 2008/9, £178.6 million sales were achieved).⁶ The successful promotion of umbrella schemes such as People's Postcode Lottery and The Health Lottery have contributed to this increase, although even without these two large-scale operators the sector has grown. (See Annex A).

20. The commercial gambling sector generates less directly for good causes but is still an important sector, employing 104,137 people and generating significant tax revenues. Operators are under no legal requirement to raise money for good causes, though recent years have seen the growth of commercial operators such as the Lotto Network which offer betting on overseas lotteries in order to raise funds for good causes; the Arsenal Lotto being one example.⁷ In addition, commercial operators offer a range of other lotto related betting, including bets on a number of overseas lotteries which offer no returns to good causes in the UK.

⁵ Gambling Commission Industry Statistics, <http://www.gamblingcommission.gov.uk/Gambling-data-analysis/Statistics.aspx>

⁶ Gambling Commission Industry Statistics

⁷ <https://www.arsenallotto.co.uk/>

21. At the present time we have no evidence to suggest that activity in any of these markets is having a recognisable effect on the other markets. While the National Lottery may not presently be showing the same growth as it has done in recent years there are a number of possible reasons why this may be the case, including the maturity of the draw-based games, the current economic climate, levels of disposable income and any number of factors affecting the decisions people take whether to play or not. Given the relative size of the National and Society Lottery markets and the fact that until recently they had been growing side by side we do not believe that society lotteries are currently having an adverse effect on National Lottery sales.
22. This is also true of lottery style games in the gambling sector, and again we can find no evidence that these games, tiny by comparison, are having any effect on the National Lottery sales.
23. However, these markets are not, and are unlikely to become, static. Camelot, the National Lottery operator, is seeking to grow returns from the National Lottery. At the same time, there is no reason why recent growth in the society lottery market cannot continue and we expect the commercial gambling sector will continue to innovate and grow in the search for new profitable endeavours.
24. At present, different rules apply to operators in these three markets, reflecting the historically clear distinction in their aims and scale of operation and the level of risk inherent in each form of gambling. The National Lottery is regulated by the Gambling Commission (formerly by the National Lottery Commission) which ensures the operator (currently Camelot) adheres to the terms of the licence as set out in the National Lottery etc. Act 1993 and has a duty (shared with the Secretary of State for Culture) to maximise returns for good causes. Society lotteries and commercial gambling are also regulated by the Gambling Commission, which ensures they operate in accordance with the three overarching objectives of the Gambling Act 2005, which are to prevent gambling from being a source of crime or disorder; to ensure that gambling is conducted in a fair and open way; and to protect children and other vulnerable persons from being harmed or exploited by gambling. Society lotteries operate under a licence granted by the Gambling Commission and operators are also required to have Personal management licence

holders (or equivalent for small scale operators) in place.⁸ Commercial gambling operates under a similar regime requiring operating and personal licences which are issued by the Gambling Commission; and where appropriate premises licences which are issued by licensing authorities.

25. Despite this, a snapshot of these different markets suggests that they are becoming more standardised in look and feel. Examples include games that look and feel very much like lotteries despite the fact they are gambling products (for example the Arsenal Lotto – a bet on the outcome of the German Lotto); umbrella lottery schemes such as the Health Lottery and the People’s Postcode Lottery which some consumers perceive as being a single nationwide lottery when they are in fact a conglomeration of individual society lotteries; and the further expansion of all types of lottery online to the point where there may be direct competition with other forms of gambling, or indeed non-gambling online games.

26. We seek views on whether this may introduce risks within the market which may have an impact on the amounts raised for good causes and player protection requirements. For example:

- the effect of potential customer confusion between products and markets that have been previously distinct, with individual ‘good cause’ operators losing market share to other operators who do not give to good causes, or who give proportionately less to good causes;
- general competition for the leisure pound and time and from other gambling entities beyond the lottery sector including those benefitting from being associated with ‘good causes’.

1. Are the relative market shares of the National Lottery, society lotteries and commercial gambling markets appropriate? Does any action need to be taken to change the current balance or retain equilibrium?

⁸ Personal Management Licences (PML) are issued from the Gambling Commission. Holders are expected to keep gambling fair and safe by ensuring they and their licensed operator comply with gambling law and the Gambling Commission’s requirements.

Section 2: Society Lotteries

27. Society Lotteries are an essential part of the giving landscape and have become an increasingly significant presence in the sector in recent years, seeing steady growth in terms of proceeds (sales). In 2013/14, Society Lotteries raised a record £175m for good causes.
28. The Gambling Act 2005 permits the operation of non-commercial Society Lotteries, as a means of fundraising for charities and other non-commercial bodies ('good causes'). These lotteries are exempt from lottery duty (unlike The National Lottery). They must currently apply at least 20% of proceeds to the purposes of the society though there is significant variation in how much is returned across the sector, with some, such as the Health Lottery, returning the minimum 20% while others return significantly more. Taken together society lotteries return on average around 46% while the National Lottery returns around 26% with an additional 12% as lottery duty.⁹ As of 30 September 2014, there were 461 non-commercial society lottery operators holding 770 lottery licences, mainly large national charities, hospices and sporting clubs and associations.
29. Society Lotteries are broad in size, ranging from small, local organisations to larger, household-name charities. In addition, there exist high-profile brands which market a group of society lotteries as one, such as The Health Lottery and Peoples' Postcode Lottery (known as 'umbrella' lotteries). While society lotteries have been around for many years and are an effective and uncontroversial mechanism for raising funds for individual good causes, it is the recent growth of large umbrella society lotteries that has led to recent questions about the role and functions of society lotteries.
30. In a large society lottery the maximum value of tickets that can be sold is £4 million and the maximum aggregate value of lottery tickets that can be sold in any calendar year is £10 million. The maximum prize in a

⁹ The proceeds of a lottery is the aggregate of amounts paid in respect of the purchase of lottery tickets. A reference here to the profits of a lottery is a reference to the proceeds of the lottery minus amounts deducted by the promoters of the lottery in respect of:

- the provision of prizes
- sums to be made available for allocation in another lottery in accordance with a rollover, or
- other costs reasonably incurred in organising the lottery.

single lottery is £25,000 or 10% of the proceeds (gross ticket sales), whichever is greater, in the case of a large society lottery.¹⁰ Therefore, a society that sells the maximum number of tickets in a single large lottery (£4 million) could award a maximum top prize of £400,000. In contrast, the maximum prize in a small society lottery is £25,000.

31. The reason for these limits is to allow society lotteries to raise money for good causes while restricting the likelihood of society lotteries undermining the National Lottery. In practice, even the largest society lotteries rarely reach the maximum jackpot amount, while the National Lottery as a matter of course offers jackpots in the multiple millions.
32. The large society lottery sector has arguably become increasingly professionalised and commercial in recent years. This is driven largely by the increased use of lotteries by major charities as a fundraising mechanism, bringing with it more expert brand management and distribution power, but also by changes in technology and use of social media and the increasing prevalence of External Lottery Managers in the form of commercial companies offering services to Society Lotteries.¹¹
33. External Lottery Managers (ELMs) have been around since the National Lottery etc Act 1993 amended the Lotteries and Amusements Act 1976 to allow a class of persons licensed by the Gaming Board to manage society lotteries.¹² The 2005 Gambling Act removed the expenses cap on society lotteries which had been set at 35% and instead put in a requirement to return at least 20% of the proceeds of a lottery to good causes. As a result fees for ELMs are now decided on agreement between both parties as long as it is reasonable under the terms of the act. As a result their capacity to make a profit from managing a society lottery has increased.
34. Umbrella lotteries involve marketing several separate society lotteries under a single umbrella brand run by an ELM. The single brand provides considerable marketing efficiencies, driving ticket sales and in turn prizes (although each separate lottery is subject to the limits set out above).

¹⁰ Section 99 Gambling Act 2005.

¹¹ An ELM is defined in the Gambling Act as a person or a body who makes arrangements for a lottery on behalf of a society of which they are not a member, officer or employee.

¹² The Gaming Board for Great Britain was the predecessor to the Gambling Commission.

Umbrella branding of lotteries is not new, though it is only in recent years that we have seen the emergence of lotteries with extensive retail operations and marketing structures (such as the Health Lottery).

35. This has caused some controversy: while the 2005 Act acknowledged a legitimate role for External Lottery Managers (ELMs) to run lotteries on behalf of charities, sports clubs etc, it did not envisage circumstances where the creation of a number of societies to be promoted under one banner could cumulatively exceed the maximum sales limits for a single lottery.
36. As a result, there have been calls for society lotteries to increase the minimum proportion of their revenue to good causes from 20% to match the approximately 26% the National Lottery currently gives overall. In addition it has been noted that society lotteries do not pay the 12% lottery duty on all sales that is imposed on the National Lottery.
37. Some have argued the opposite, suggesting that the Government remove the 20% minimum good cause regulation which they say would enable them to raise more for good causes by expanding the sector. There have also been calls for a relaxation on the legal limits on turnover and prize cap to be increased. Alternative arguments for deregulation have been for the 20% minimum to be introduced over time for new society lotteries, starting at a reduced level, so as to encourage them by reducing the overhead costs which could threaten their ability to survive, especially when starting up.
38. A Cebr report¹³ published in February 2014 (commissioned by the Lotteries Council and the Institute of Fundraising) supports the argument for relaxing present restrictions on society lotteries. It states that the partial deregulation of the sector could boost the amount of money raised for good causes but would not have an impact on National Lottery sales, saying that the overall impact is likely to be an increase in total proceeds available for good causes. Alternatively it warns that that such lottery funding could be cut in half (a loss of almost £90 million) if tighter regulatory controls were imposed on society lotteries.

¹³ Cebr, *'What have we got to lose? How society lotteries could do even more for good causes: An analysis of the contribution of the sector and the potential impacts of regulatory change'* (2014).

39. On the other hand, concerns have been expressed from other quarters that this form of deregulation could undermine the National Lottery and lead to a reduction in the amount of money going to a wider range of good causes supplied through the National Lottery.
40. Over and above the fundraising aspect, there is a further question about whether the growth in society lotteries operating nationally with significant retail and marketing activities threatens the distinctive space that the National Lottery holds in the national consciousness. Advice from the Gambling Commission suggests that despite increasing commercialisation, consumers continue to regard society lottery products as more or less distinct from The National Lottery products and from other forms of gambling.¹⁴ Society lotteries are perceived primarily as a fun way of donating usually small amounts to a specific cause, with the prize being a somewhat secondary consideration, whereas The National Lottery is seen primarily as a means of gaining a chance of a life-changing prize.

2. Are the current regulations governing Society Lotteries returns to good causes appropriate?
3. Are the regulations from the 2005 Gambling Act still fit for purpose in dealing with umbrella society schemes?
4. Is there a risk that Society Lotteries and Umbrella Societies schemes adversely impact on the National Lottery? If so, how should this be countered?

¹⁴ Gambling Commission, *Market advice on the lottery sectors*, paragraph 24.

Section 3: The National Lottery

41. The National Lottery was established in 1994 as means of raising large amounts of money for a wide range of good causes. The concept of one National Lottery is driven by the view that a lottery monopoly, with protections, is the most efficient way of generating money for good causes on a national scale. Indeed the National Lottery Act etc. 1993 requires the regulator, when carrying out its functions, to do all it can to ensure that returns to good causes are as great as possible, subject to propriety and protection statutory objectives. The National Lottery has been afforded a further protection which prohibits betting on the outcome of the National Lottery with GB licensed betting operators, preventing a situation where spend might be diverted from the National Lottery by operators trading on its brand equity.
42. The National Lottery is distinct from the rest of the lottery sector through its capacity to offer life-changing prizes with no cap on annual sales, unlike society lotteries. It is also distinct in the manner in which it funds a breadth of good causes across the UK, as opposed to society lotteries which are focused on a single good cause. The good cause funding is awarded by independent organisations that have specialist knowledge of their sectors with sport, arts and heritage each receiving 20% of the good cause funding with 40% going to charities/voluntary, health, education and environmental projects. These good cause funds are raised through sales, with the National Lottery returning currently around 26p in the pound to good causes, plus 12p in the pound to the Government through lottery duty.
43. Since its inception the National Lottery has been very successful, raising over £32 billion for good causes to date, supporting projects and organisations across the UK for the benefit of the public. More than 450,000 individual awards have been made across the UK; an average of 138 lottery grants per postcode district. The scale of the success of the National Lottery and the effect that good cause funding has had across all areas of the UK mean that its continuing success is of vital importance to a number of sectors including the arts, culture, heritage, sport and the voluntary and charity sectors. As a result, maintaining the health of the National Lottery is now an essential task of Government and any

proposed changes to regulations in this area must be considered in this light.

44. The National Lottery has offered a growing range of draw-based products and draw days since it started with the single Saturday Lotto in 1994. Draw-based products are characterised by low ticket price, high prize levels, low draw frequency (currently Sunday, Monday and Thursday are non-draw days) and wide retail distribution across a range of general retailers as well as a growing online business (15% of sales in 2013/14). Lotto has a prime-time BBC Saturday night draw show and the capacity to advertise on television throughout the day (as do society lotteries). In recent years change has been seen through extra draw days (EuroMillions and Thunderball) and in-game innovation (Lotto) rather than new games.
45. To enable it to maximise fundraising for good causes, The National Lottery diversified into new, non-draw based games, such as instant win scratch cards (introduced in 1995).¹⁵ Retail scratchcards are typified by a relatively faster speed of play in comparison to traditional draw-based products. They are low cost and distributed extensively in retail outlets under exactly the same rules as apply to draw based products and are regulated as a National Lottery product.
46. Since 2003 the National Lottery has offered lottery games in an online version known as Interactive Instant Win Games (IIWGs), operating in what is becoming a highly competitive environment as new operators enter the market. These products form a relatively small but increasing part of The National Lottery portfolio although there is significant potential for growth, reflecting the current regulatory position where the National Lottery is licensed to provide draw-based games (retail and online), scratchcards and IIWGs until 2023.
47. Given its success and the transformational effect it has had across the UK, the Government is determined to maintain the continued success of The National Lottery. At the same time we take the view that The National Lottery must remain a low risk form of gambling both in terms

¹⁵ Other lotteries make scratchcards available on a much more limited basis, 46 operators currently offer scratchcards, such as pull-tabs. Available data suggests that this market to be very small in comparison: 16% of the population play TNL scratchcards regularly compared with 3% who claim play other non-TNL scratchcards.

of the security of the prizes offered and any potential harm from gambling.

48. The draw based National Lottery games have long been considered to pose a very low risk of harm to players, due to a combination of low stakes, infrequent draws and a retail structure that is separate from traditional betting shops. Scratchcards and IIWGs are both seen as higher risk than draw-based games although incidence of problem playing are still low in comparison to some other forms of gambling.
49. The National Lottery's online products are classified and regulated as lotteries and must meet specific regulatory and duty requirements, while commercial operators offer gaming products with differing regulations and requirements.¹⁶ There are some similarities in the look and feel of the games, but perhaps more significantly, convergence comes from the fact that both types of games can be accessed through the internet whereas previously consumers would have to physically visit a different retail outlet. With our lives being increasingly transacted online, it does raise questions about whether this greater online presence requires a change to regulation. In particular it raises questions about how the National Lottery can continue to innovate in this area to continue to grow good cause returns while maintaining its distinguishing features.

5. How far is it appropriate for the National Lottery to compete with, for example, commercial online gambling and bingo products, in order to maintain or improve returns to good causes? What are the implications for regulation of each?
6. How far should the National Lottery be protected from, or enabled to meet, competition?

¹⁶ The National Lottery products are subject to detailed regulation by product and prize levels and duty at 12% on gross proceeds while the commercial products are subject to generic regulation, no limit on prizes but with no state backing and duty at 15% on net proceeds (i.e. stakes less prizes). In addition, there are different age limits in place, with 16 and 17-year-olds being able to play a lottery IIWG but not an instant win product from a commercial operator.

Section 4: Betting and Gaming Products

50. The British gambling industry is a significant part of Great Britain's leisure economy. The Government recognises the enjoyment gained by many from responsible gambling and the contribution the industry makes to the UK as an employer and tax contributor, although we do also recognise the risks involved in gambling and regulate the activity to ensure players are protected. We are committed to creating the conditions for promoting socially responsible growth in the commercial gambling and betting sector, so that it is able to innovate and thrive.
51. It is widely recognised that the nature of this sector is changing away from its traditional retail structure. Retail gambling outlets remain important to the betting and gaming sector,¹⁷ however the sector is increasingly moving online and mobile, taking advantage of the proliferation of mobile electronic devices amongst the population, such as smart phones and tablets.
52. In addition to offering its customers newer ways of playing ('modes of distribution') such as online, the sector is innovating new types of games to attract players to remain competitive. This includes betting games that look and feel – for all intents and purposes – like lottery games.
53. It is illegal to offer a bet on any lottery that forms part of the (UK) National Lottery,¹⁸ although not society lotteries. Most major bookmakers have offered products that involved fixed odds betting on the outcome of lotteries for many years, usually foreign national lotteries such as the Irish Lotto. A relatively recent game which involves betting on a lottery has been the Coral Health Lottery bet, which, as the name suggests, is a bet on The Health Lottery. Products such as this are betting products and not lotteries, and therefore are not subject to any of the statutory limits that apply to lotteries, or the requirement for them to return money to good causes – although it is understood that the Coral Health Lottery bet returns a share of the gross revenue to the good causes supported by the Health Lottery (believed to be around 20%).

¹⁷ Deloitte, *The future of the British remote betting and gaming industry: Adapting to a changing landscape* (2014).

¹⁸ Section 95 Gambling Act 2005.

54. Until recently the appearance of the products have arguably been distinct enough so as not to cause confusion amongst consumers. However, with new modes of distribution and marketing, it is now less certain whether consumers are aware of the difference. The use of lottery language, imagery, the low stakes and frequency of play (mirroring the lotteries on which they are based) and the larger, potentially life-changing prizes (Lotto Network has a regular base jackpot of £7m which can rollover) may combine to produce the impression of national lottery-like experience. In addition, although very limited at present, the advent of a good cause element may provide a further point of similarity. Taken together, this could place The National Lottery and society lotteries in an environment in which they become less distinctive.
55. By offering gaming or betting under the same branding as lotteries, there is potential for players to become confused and believe that they are participating in a lottery rather than gaming or betting. There is a risk that those attracted to a lottery branded website would assume that all activities they were participating in under the single banner on that site would be, by necessity, in support of good causes.¹⁹
56. Another concern is the effect of advertising and marketing of a lottery brand and using the same or similar branding for gaming or betting products, as this may attract young adults (16-17 year olds) who are permitted to participate in lotteries but not gaming or betting. This concern extends to the increasingly popular 'try for free' games widely available on the internet.
57. It is worth emphasising that these are potential risks arising from developments in the sector and it is not yet clear whether these developments do indeed pose a threat.

7. Does the emergence of lottery-like betting products and betting on lotteries (in permitted circumstances) create risks or opportunities that need to be addressed?

¹⁹ Gambling Commission, *Offering lottery, gaming and betting products under common branding - Advice for society lotteries and external lottery managers*, June 2012.