Regulatory Policy Committee

Department of Culture, Media and Sports

Prohibition on Betting on EuroMillions

RPC rating: fit for purpose

Description of proposal

Section 95 of the Gambling Act 2005 prohibits holders of general, pool or intermediary operating betting licences from offering 'side bets' on the outcome of a lottery that forms part of the National Lottery. This includes EuroMillions draws occurring in the UK. However, some gambling operators in the UK currently offer bets on the outcome of the same EuroMillions draws occurring in other European countries (e.g. on the outcome of the Spanish EuroMillions draw). This is because EuroMillions is a lottery that runs in partnership between several lottery operators in European countries and is, technically, a separate game in each participating country despite being the same draw.

The preferred option is to close this loophole as it runs contrary to the spirit of the Section 95 provision, which clarifies and preserves the distinction between betting and the National Lottery. This is intended to protect returns on the National Lottery, which go to good causes.

The proposal is a qualifying regulatory provision.

Impacts of proposal

The Department's best estimate of the total net present value of the preferred option is -£43.25 million over ten years, with an equivalent annualised direct cost to business of £4.5 million. This represents a substantial increase over the -£3.31 million net present value estimate provided in the consultation impact assessment.

- Familiarisation costs to the Gambling Commission total £4,680.
- The total transition cost to operators of familiarising themselves with the legislation is estimated to be £213,844. This is based on direct evidence from the two largest operators (Annexio and Lottoland), combined with estimates from the Gambling Commission for smaller operators to which the larger operators' estimates cannot be applied.
- New evidence gathered from consultation has led to revised estimates of the proportion of operators' profit obtained from betting on outcome of EuroMillions, with a central estimate of 15%. In addition, evidence from

consultation indicates that the revenue related to EuroMillions betting is much higher than previously estimated and information from Lottoland (one of the most significant operator in the market) suggests that the market is expected to grow by 50% per annum over the appraisal period. This led the Department to revise its estimate of the annual loss of profit to £4.1million-£5.9million (central estimate of £5.0million).

- At least 4 of the 10 operators affected by this policy are small and micro businesses. The Department estimates that the impact on small and micro businesses will be a net cost of £1.7 million to £2.38 million.

The Department notes the potential wider benefit of protecting funds for good causes raised (the ultimate objective of the proposal. however this has not been monetised due to the precautionary nature of this measure and insufficient evidence. The Department indicates that the scale and size of the research required to estimate this impact would be disproportionately costly.

Quality of submission

The RPC was initially concerned about the discrepancy between the net impacts of the policy as estimated in the consultation and final IAs.

However, the Department has explained that the difference is due to new evidence gathered during consultation from Lottoland and Annexio, two of the most significant operators in the market. This indicates that the revenue generated from lottery betting was much higher than originally estimated and that it was (in the absence of the measure) expected to grow by 50% per annum. This led to a substantially increased estimate of lost profit in the final IA.

Overall the IA offers a sufficient and proportionate assessment of the direct impacts of the regulatory provision. However, the assessment could have been improved by a more granular analysis of the market shares of, and impacts on, the different players within the market rather than relying on estimates from two large companies. In particular, evidence from smaller operators would have improved the quality of the SaMBA.

The assessment would also have benefited from a more detailed analysis of the wider benefits to society and business of protecting revenues for good causes by closing this loophole that diverts spending from lottery products. Whilst the RPC accepts the Department’s argument that it monetising this benefit would be disproportionate for the purposes of this assessment, further qualitative evidence for this should have been gathered during consultation, especially as it would have provided support for the rationale for intervention.

Departmental assessment

Classification	Qualifying regulatory provision (IN)
Net Present Value	-£43.25 million
Business net present value	-£43.25 million
Equivalent annual net direct cost to business (EANDCB)	£4.5 million

RPC assessment[1]

Classification	Qualifying regulatory provision (IN)
EANDCB – RPC validated	£4.5 million
Small and micro business assessment	Sufficient

Michael Gibbons CBE, Chairman

[1] For reporting purposes, the RPC validates EANDCB and BIT figures to the nearest £100,000