



Fixed Odds Betting Terminals APPG

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Secretary of State of Culture Media and Sport
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Consultation on proposals for changes to Gaming Machines and Social Responsibility Measures – Response from the Fixed Odds Betting Terminals All Party Parliamentary Group

Introduction

The Fixed Odds Betting Terminals All Party Parliamentary Group (FOBT APPG) welcomes this opportunity to respond to the Government's *Consultation on Proposals for Changes to Gaming Machines and Social Responsibility Measures*.

The Fixed Odds Betting Terminals (FOBT) All Party Parliamentary Group (APPG) was established in May 2016 in response to the growth of concerns within Parliament about the impacts of Fixed Odds Betting Terminals and the very high stakes of £100, which can be played on them. The members of the APPG are from across the political spectrum and from both Houses of Parliament. The full list of members is set out at Annex A. Due to our concern about the lack of effective Government action on FOBTs, the APPG launched an inquiry in June 2016 to assess the impacts of FOBTs on our society and communities.

This inquiry took evidence from a wide range of stakeholders in this debate including Tracey Crouch MP, the Minister responsible for this area, Sarah Harrison, the then Chief Executive of the Gambling Commission, faith groups, local government, industry, academics and people whose lives and families had been blighted by FOBTs. We then published a detailed report ["Fixed Odds Betting Terminals – Assessing the Impact"](#) which set out our findings, and which we submitted to the Government in December 2016 in response to its Call for Evidence on the Review of Gaming Machines and Social Responsibility Measures ("the call for Evidence"). We will not repeat the content of that report here but refer you to it for our comprehensive analysis. Our conclusion, which we continue to reaffirm, was that:



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“We find that from the evidence presented to us, the Government now has a prima facie case for significantly reducing the £100, which can be wagered on a Fixed Odds Betting Terminal. At the very least, this should be done on a precautionary basis until sufficient evidence is presented that the high stakes on these machines do not cause harm. The Government has a duty to protect the most vulnerable in our society and to act in the public interest. We strongly urge them to do so and do so with immediate effect.”

Following the publication of the Government’s consultation document *Consultation on Proposals for Changes to Gaming Machines and Social Responsibility Measures* in October 2017, the APPG has held a further series of oral evidence sessions in order to inform its response. In this series, we have heard from local government, think tanks, academics, the Senet Group and the Church of England. We refer you to our [website](#) for the full list of witnesses. We include the material we have gathered in this series of evidence sessions in our response below and are grateful to participants in our current inquiry for the input.

It is our conclusion, from this extensive work, that the case for a stake reduction to £2 is now overwhelming. The Government must not waver in its commitment to help the vulnerable. It must not row back on its determination to take action on FOBTs. It must not bend to the power of the bookmaker lobby. The time has come for the Government to act. The health and wellbeing of our country is at issue. We ask the Government to seize this opportunity and make £2 the FOBT stake.

Detail

The FOBT APPG welcomes the Government’s consultation and in particular its proposals to change the stake on FOBTs or B2 machines. We are responding only to the question relating to FOBTs as this is the focus of the APPG. We welcome the Government’s acknowledgement that it “cannot ignore the evidence put forward as part of the call for evidence to support action, or the persistent concerns from many stakeholders and local communities about these types of gaming machines and their potential impact on players and wider communities.”

We also support the Government’s concerns that “the bookmaking sector, and indeed the wider industry, has provided little evidence that self-regulatory measures introduced since 2013 have made any significant impact on the rates of problem gambling, or on the degree of harm experienced by individuals; (ii) measures taken to date do nothing to counter the wider social impact and the



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potential amplification of harm for those living in the most deprived communities; (iii) it is not clear whether previous regulatory action in this area, in the form of the £50 staking regulations, has had a measurable impact on harm. The Government evaluation of this measure found that there was a drop in stakes above £50, but an increase in stakes between £40-50.”

As the Government sets out, there are still large numbers of higher-staking machines in accessible locations and often in more deprived areas, where it is possible to lose a large amount of money very quickly. Indeed, there are over 33,000 FOBTs in betting shops in easily accessible locations across high streets in the UK, but note that in 2015/6, there were over 230,000 individual sessions in which a user lost over £1,000.

The current FOBT stake maximum of £100 is fifty times higher than that of other widely available gaming machines.

Problem Gambling

We also support the Government’s contention that *“there remain consistently high rates of prevalence of problem gamblers among machine players in betting shops (11.5% of players are problem gamblers and a further 32% are considered at risk of harm), that a high proportion of gross expenditure on machines in betting shops is attributed to problem gamblers; and that a high proportion of the number of problem gamblers who present for treatment identify machines in betting shops as their main form of gambling.”*

The well respected economic think tank the Centre for Economics and Business Research (Cebr) has undertaken some new economic modelling on B2 machines, commissioned by *bacta*, the trade association for the amusement machine industry and its supply chain that seeks to build on and supplement the existing evidence and data to provide a fresh perspective.

This report estimates that problem gambling costs the UK £1.5bn a year when its impact on wider social welfare is taken into account – including areas such as employment, mental health and financial stability. Recent Gambling Commission figures showed over 430,000 people within the UK are affected by problem gambling. The Senet Group (composed of bookmakers) appeared before our Committee and even they underlined that there is insufficient support for problem gamblers in the UK.

Problem gambling is also closely linked to mental health of course. Around a quarter of problem gamblers are receiving medication, counselling or



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therapy for a mental health or emotional problem - compared to 7% of those with no indicators of problem gambling.¹

Stake Size

The Government rightly draws attention to the size of the stake and the need for this to be addressed on FOBTs. We welcome its recognition that “the high-staking nature of B2 machines that offer a maximum stake of up to £100 can lead to significant losses in a short space of time. In comparison to other gaming machines, B2 machines generate a greater proportion and volume of large-scale losses (for example, more than £500 in a session).” FOBTs are driving problem gambling through the nature and design of the games they encourage players to chase losses.

We refute, however, the Government’s assertion in the Consultation document that *‘there is limited evidence to inform exactly at what level the revised maximum stake should be’*. It is clear to us that radical action on the stake size on a FOBT must be taken. Using the accompanying Impact Assessment, only the projections for option 4 (a stake reduction to £2 on all B2 content) indicates a significant reduction in the percentage of players identified as problem gamblers.

Societal Impact

This Government has stated its commitment to social justice. Yet these machines are driving social injustice. The APPG has received extensive evidence and heard many reports of the direct impact FOBTs are having on people and families across the country. They are harming the young and vulnerable in our society, whom we have a duty to protect. Those whom often can least afford it are losing vast sums of money which is driving mental health problems and we have even seen young men taking their own lives because of their addiction to these machines.

We would like to take this opportunity to thank the Church, other faith groups and centre for Social Justice for their active campaigning in this area and for drawing attention to the social harms they cause. As the Government will be aware, the General Synod has passed a motion to this effect.

¹ McManus S, Meltzer H, Brugha T, Bebbington P, Jenkins R (eds.) Adult Psychiatric Morbidity in England, 2007, The Information Centre for Health and Social Care, 2009.



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Moreover, the Cebr notes that the main beneficiaries of a reduction to a £2 stake are those from deprived areas or on lower incomes. This is due to the 'law of diminishing marginal utility' which means that each additional £1 of benefit will be worth more in real terms to a person who is poor than to a wealthy person. B2 machines are typically clustered in poorer areas. There are also twice as many betting shops in the poorest 55 boroughs of the UK, a point reiterated in the Government's consultation document.

Sir Robin Wales, the Mayor of Newham, has been an active campaigner on the need for stake reduction. Along with Councillor Morris Bright from the Local Government Association, Sir Robin spoke again to our committee to describe the detrimental impact that FOBTs are having on the Borough of Newham. He explained that last year alone, £20million was lost on FOBT gambling in the Borough which is the most individually indebted place in the country. As a Council they have been giving loans out to help support people. Sir Robin is distressed by the proliferation of bookmakers in Newham which is being driven by the profits made from FOBTs. Like many of us, he is not anti-gambling. Sir Robin explained that Newham's agenda is to 'take back the high streets,' and by reducing the stake, the number of betting shops in Newham will reduce. Sir Robin further explained that other steps Newham have looked to take to manage the proliferation of bookmakers have failed as the powers currently available to local authorities in this matter are minimal.

FOBTs are driving violent crime and money laundering and we have received numerous anecdotal accounts and evidence of this. Sir Robin Wales noted that police are called out 1.2 times a day to deal with anti-social behaviour taking place inside or outside betting shops in Newham. He said this is using up valuable police time and local residents have been vocal in their concerns about the anti-social behaviour derived from betting shops.

Economic Impact

The Government has also indicated that it is concerned about the economic impact of reducing the stakes on FOBTs both in the context of the impact on bookmakers themselves and in terms of Government revenue from gambling taxation.

We regret that some of the key assumptions in the Government's Impact Assessment, accompanying the consultation, are based on evidence submitted by the Association of British Bookmakers in a report provided by the consultants



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KPMG. We have asked the Government to make this report available to us and they declined to do so. It would have been useful to see, particularly given that it seems to have informed public policy making in this contentious area. This material would have provided a clearer understanding of the Government's projects and the suggestion that Option 4, a reduction in the stake to £2, would result in a reduction in revenue to bookmakers to 64.9%.

Moreover, the bookmaker Paddy Power has commented that the data provided in the KPMG report should not be relied upon by HM Treasury. They note that the report is not suitable to be used as part of the evidence base; that the data is incomplete and potentially not representative; that the assumptions are based on operators views not independent analysis; the conclusions are not consistent with modelling by Paddy Power Betfair and that a stake cut will not lead to significant shop closures. They comment that "whilst a FOBT stake cut is likely to have some impact on the retail bookmaker sector, it will be far less severe than the depiction provided by the ABB. Good companies will continue to provide innovative and entertaining products to their customers regardless of the FOBT maximum stake."

In addition to this very strong note of caution about the ABB report from one of its own members, we also find the report undertaken by the Cebr to be persuasive not least because it uses the Government's own modelling and has been undertaken with evident rigour.

A number of points are worth highlighting here from the Cebr report:

- The cost of a clampdown on fixed-odds betting terminals is being exaggerated and shows that the economic impact on bookmakers of lower FOBT stakes could be significantly less than existing estimates have suggested.
- The Impact Assessment released by DCMS to accompany their recent consultation document (Gaming Machines and Social Responsibility Measures October 2017) does not consider the range of possible outcomes and behavioural responses that could take place.
- At all stakes, including a £2 maximum stake, there could be far smaller Licensed Betting Operators (LBO) losses in Gross Gambling Yield (GGY) than those set out by the Government.



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- The Cebr model projects that industry losses from a £2 stake could be up to 47% lower than suggested by the Government's initial impact assessment, with a likely £335m reduction in annual GGY to high street betting shops, against the Government's estimate of £639m.
- Indeed losses could range from £633 million to as low as £159 million. These figures could be offset when compared to the £210m which the report estimates as the fiscal cost of problem gambling associated with FOBTs once its impact on welfare services, work and housing issues, and criminality have been taken into account.
- Furthermore, it also found that there would be overall benefit to the economy should FOBT stakes be reduced to £2, with an estimated net increase of £45m to gross value added (GVA). This is because the sectors that gain from lost revenue on FOBTs generate more revenue than can be seen in the gambling sector, benefiting the economy as a whole.
- These figures could be offset when compared to the £210m, which the report estimates as the fiscal cost of problem gambling associated with FOBTs, once its impact on welfare services, work and housing issues, and criminality have been taken into account.

Precautionary Principle

Finally, as a group, we have been concerned by the RGSB's approach to FOBT machines. In its response to the Government's call for evidence, the RGSB confirmed that the 'precautionary principle' applied to the Category B2 stake. They then seemed to imply that this should only be applied to new products but also state elsewhere that there is sufficient evidence to apply the principle. We are unclear as to why the RGSB concludes its advice noting that a reduction to £2 might not be proportionate to B2 machines given that it might interfere with the enjoyment of those players who play stakes at higher levels. The applicability of the precautionary principle and the evident harm being done by FOBTs clearly outweighs this concern.



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Conclusion

Organisations from the Church of England, to 93 local authorities across the UK and the Royal Society for Public Health, have called for Government to order a reduction on FOBT stakes to £2.

The Government must not waver in its commitment to help the vulnerable. It must not row back on its determination to take action on FOBTs. It must not bend to power of the bookmaker lobby. The time has come for the Government to act. The health and well-being of our country is at issue. We implore the Government to seize this opportunity and make £2 the FOBT stake. From our extensive research and thorough analysis, we now find that the case for reducing the stake to £2 is overwhelming.

Carolyn Harris MP,

Chair, Fixed Odds Betting Terminals All Party Parliamentary Group



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Annex A – List of APPG members

Carolyn Harris MP

Bishop of St Albans

Lord Beecham

Lord Foster

Lord Clement-Jones

Hannah Bardell MP

Ian Blackford MP

Kirsty Blackman MP

Sir Peter Bottomley MP

Fiona Bruce MP

Ruth Cadbury MP

Dr Lisa Cameron MP

Ronnie Cowan MP

Wayne David MP

Louise Haigh MP

Lady Hermon

Gerald Jones MP

Graham Jones MP

David Lammy MP

Jeremy Lefroy MP

David Linden MP

Jonathan Lord MP



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Stuart McDonald MP

Liz McInnes MP

Jim McMahon MP

Jim Shannon MP

Jeff Smith MP

Alison Thewliss MP

Stephen Timms MP

Charles Walker MP

Sammy Wilson MP

Judith Cummins MP

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Full information on the APPG is available at www.fobt-appg.com