

Online Slots Stake Limit

Lead department	Department for Culture, Media and Sport
Summary of proposal	To introduce a flat statutory limit for online slots of £2 for 18–24-year-olds and £5 for all other adults.
Submission type	Impact assessment (IA) – 7 November 2024
Legislation type	Secondary legislation
Implementation date	2025
Policy stage	Final
RPC reference	RPC-DCMS-5282(3)
Opinion type	Formal
Date of issue	22 November 2024

RPC opinion

Rating¹	RPC opinion
Fit for purpose	<p>The IA was submitted in the previous Parliament and rated fit for purpose. The Department has resubmitted with updated modelling, as the proposed limit is to be introduced in 2025, not 2024.</p> <p>The IA provides a good level of assessment for the proposal. The Department has provided a sufficient monetised assessment of costs to business and a qualitative assessment of public and societal impacts. The Department argues against exemption, and mitigation, for small and micro businesses, as this will not result in the objectives being met.</p>

Business impact target assessment

	Department assessment	RPC validated
Classification	Qualifying regulatory provision (IN)	Qualifying regulatory provision (IN)
Equivalent annual net direct cost to business (EANDCB)	£126.8 million (initial estimate) £136.9 million (<i>revised, 2019 prices, 2020 pv</i>) £180.6 million (<i>final, 2024 prices, pv</i>)	£180.6 million (<i>2024 prices, pv</i>)
Business net present value	-£1,554 million	

¹ The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). RPC ratings are fit for purpose or not fit for purpose.

Overall net present value -£1,554 million

RPC summary

Category	Quality²	RPC comments
EANDCB	Green	The IA helpfully outlines the key assumptions used to calculate the direct cost on business and rationale underpinning the assumptions. The IA, whilst sufficient, would benefit from additional supportive narrative on the assumptions e.g. more detail on the interaction between the proposal and other measures proposed in the Gambling Act Review.
Small and micro business assessment (SaMBA)	Green	The Department explains that to achieve its objectives all operators must be subject to the stake limits, otherwise consumers at risk of harm will be displaced to operators not subject to the limits. The Department argues against exemption and mitigation for SMBs, because a temporary exemption or allowing operators to offer faster spins, would continue to contribute to harmful gambling.
Rationale and options	Good	The IA clearly outlines the problem, evidencing the negative impact of harmful gambling. The Department uses research on online slots and land-based stake-related interventions. Whilst this evidence does not establish a causal relationship between online stake limits and harmful gambling, it helpfully outlines the characteristics of online slots known to be associated with harmful gambling. The IA would benefit from drawing on international comparisons to strengthen the rationale. The IA considers two options and outlines how these were developed, using findings from stakeholder engagement.
Cost-benefit analysis	Satisfactory	The analysis is based upon an adequate level of evidence. The IA is transparent about key risks and assumptions underpinning the modelling. However, it could be more explicit in the assumptions underpinning the range in implementation costs.
Wider impacts	Good	The IA provides a sufficient level of discussion across a range of wider impacts including equalities, competition, innovation, and trade. The IA could be improved by drawing on further evidence to strengthen the likelihood of expected competition.
Monitoring and	Good	The Department has made a non-statutory commitment to undertake a post-implementation review within five years. The IA helpfully sets out

² The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. The definitions of the RPC quality ratings can be accessed [here](#).

evaluation plan	research questions the evaluation will address, underpinned by a theory of change model, high-level timeframes, and potential monitoring metrics.
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Summary of proposal

The proposal is to introduce a statutory maximum stake limit for online slots, with the objective of decreasing the intensity of losses for those suffering from or at risk of gambling harm. The policy was first outlined in the 2023 Gambling White Paper, following the Review of the 2005 Gambling Act. As well as reducing gambling harm, another objective of the Review was to ensure an equitable approach to the regulation of the online and land-based gambling sectors. Currently, online slots are subject to relatively few controls, whereas the land-based sector is subject to statutory limits on a range of structural characteristics, including stake size.

The IA considers the following options:

- **Option 0:** Do nothing.
- **Option 1:** A statutory flat maximum online slots stake limit of £5 per spin, with a £2 limit for 18-24-year-olds. (Preferred option)

Costs to business are identified as an anticipated reduction in gross gambling yield (GGY), and the familiarisation and transition costs associated with implementing the limit. The benefits of a reduction in gambling harm are social benefits such as improved relationships between those suffering gambling harm and their affected others. The Department also recognises the wider public sector benefits from a reduction in gambling harm, including saving from reduced costs associated with gambling harm such as mental health care, job seekers allowance claimant costs and lost labour tax receipts, statutory homelessness applications, and incarceration costs. The associated social and public benefits are identified but not quantified.

The Department now estimates the preferred option to have an EANDCB of £180.6 million and the total costs to business over the ten-year appraisal period is estimated to be -£1,554 million. As a result of the policy now starting in 2025, as opposed to 2024, this affects the EANDCB as the costs will be higher in each year due to GGY rising (which increases EANDCB). By the policy starting a year later than originally expected, this will decrease the EANDCB due to extra discounting. However, the rebasing to 2024 prices and present value make bigger increases to the final EANDCB.

EANDCB

Data and evidence

The IA makes good use of data collected by the Gambling Commission (GC) to determine current staking patterns and the proportion of spins that occur above the proposed limits. The IA helpfully outlines findings from the consultation and how these have informed the assumptions within the IA.

Assumptions

The IA helpfully outlines key modelling assumptions used to calculate the direct cost on business and the rationale underpinning the assumptions. The Department assumes the stake placed above the new limits will either be recycled into lower stake limits, displaced to other products, or lost entirely. As the displacement effect occurs in the same sector and/or within the same businesses, the RPC accepts that the offsetting impacts are direct.

Counterfactual/baseline

Following RPC scrutiny, the IA now includes an annual growth rate in GGY of 2 per cent under the counterfactual. This assumption reflects GC data (paragraph 2.9) and estimated online casino revenue projections from Statista (paragraph 2.10), as well as having been tested with the GC. The assumed growth rate appears to be an appropriate counterfactual; however, the IA could benefit from conducting sensitivity analysis around the baseline given the uncertainty with forecasting GGY.

The Department also removes the proportion of GGY, which they estimate to be lost as a result of financial risk checks (8-15 per cent) from the counterfactual (paragraph 2.11) as a result of another legislative measure from the Gambling Act Review. Whilst this assumption appears to be reasonable, the IA would benefit from providing further justification as to why this reduction in GGY should be considered as separate and additional to the reduction from online slots and test this assumption further with appropriate sensitivity analysis. The Department should clarify where the full impact of the financial checks measure will be assessed and whether there will be a separate impact assessment to estimate the costs to business.

SaMBA

Scope

The IA notes there is no data available on the size of remote casino operators. As an alternative the Department uses the number of operator licences by number of employees, as collected by the GC. This appears to be an imperfect measure as returns are made per licence and some operators will hold multiple licences. However, given data availability and reasoning provided by the Department, the RPC considers this an appropriate proxy. The GC data indicates that over a third of operators could be considered small and micro businesses.

Exemption

The Department argues that to achieve the policy objectives all operators must be subject to the stake limits. The IA states that an exemption for micro, small or medium operators would be inappropriate as it would likely lead to a displacement of customers from large operators to micro, small or medium operators where they could still engage in gambling. This likely displacement is evidenced by gambling participants already playing across multiple sites. The IA would benefit from explicitly stating, via a separate paragraph, why exemption for medium-sized businesses was decided to be inappropriate.

Impacts

The Department recognises that familiarisation costs will likely disproportionately impact small, micro, and medium-sized businesses, however, it reasonably argues this is a small one-off cost. The IA notes this view is supported by the GC. The Department assumes the other costs, reduction in GGY and implementation costs, will impact businesses proportionately to their size with larger businesses facing larger losses in GGY and larger costs associated with updating their systems.

The IA notes that GC data suggests micro businesses tend to be more reliant on remote casino activity than larger businesses. This could result in micro businesses being more negatively affected by the regulation. However, the Department argues businesses can offer many other games, other than online slots, under a remote casino licence and can therefore pivot to providing another type of game to make up for lost revenue from online slots. Whilst the Department argues it is relatively straightforward to switch provision to other games, many of the costs associated with this could be disproportionately felt by smaller operators as they may not have the resources, innovation or capability compared to larger operators. The IA should provide explanation of this potential burden on micro businesses.

Mitigation

The Department argues against mitigations for small and micro businesses as such considerations as a temporary exemption or allowing operators to offer faster spins, could contribute towards harmful gambling behaviour and not achieve policy objectives.

Rationale and options

Rationale

The IA clearly outlines the problem under consideration through explaining and evidencing the negative impact of harmful gambling on individuals and affected others, such as family and friends. The Department makes use of existing research on online slots to show an association between higher value staking and harmful gambling, whilst also recognising this does not necessarily establish a causal relationship. The IA correctly identifies the market failures associated with harmful gambling and how the market has not been able to sufficiently address these due to the profit-maximising nature of operators. The rationale could be strengthened by drawing on international evidence and comparisons to online gambling regulations in other countries.

Options

The Department considered a long list of options, including an alternative to regulation, which they appraised against Critical Success Factors (CSFs) to arrive at two short-list options (a preferred option of varying levels flat stake limits and a do-nothing option) which were taken forward to consultation. The IA helpfully outlines the consultation responses. Whilst the IA outlines the number and type of

respondents to the consultation, it would benefit from discussing how representative these are of the sector.

Cost-benefit analysis

Data and evidence

The IA appears to be based upon an adequate level of data and evidence, including from the GC and the Betting and Gaming Council (BGC).

Modelling

The IA clearly sets out the methodology and calculations underpinning the costs of the proposal. Whilst it is not possible to model the benefits to individuals and society of reduced gambling harm associated with the regulation, the Department makes good use of the existing evidence base to provide a sense of scale.

Uncertainty, risks and assumptions

The IA appears transparent about key risks and assumptions underpinning the modelling. The Department has tested the significance of uncertain assumptions appropriately with sensitivity analysis and illustrates how this affects the estimated reduction in GGY. Whilst the IA presents a range for the estimated implementation costs, it could be clearer on what assumptions underpin these costs. The IA would benefit from outlining these assumptions.

Wider impacts

The IA provides a sufficient level of discussion across a range of wider impacts including equalities, competition, innovation, and trade. The IA could be improved by drawing on further evidence to strengthen the following expected impacts:

Competition

The Department recognises that operators who only hold a single licence for remote casino activity are more reliant on online slots than operators who hold multiple licences and so will be more negatively impacted. However, the Department argues that these operators would be able to apply for another type of gambling licence, allowing them to offer a range of activities. The IA could benefit from stating how much these licences typically cost as well as considering staff time costs associated with understanding and undertaking the process, to determine whether these operators are likely to face a disproportionately high set-up cost.

International trade

The IA identifies a risk that overseas businesses who offer gambling products in GB may stop this activity due to the disincentive of stake limits. The Department considers this risk to be low given the GB market size compared to other countries, as well the ease for operators to tailor online slot stake limits according to each country's regulations. The IA would benefit from

comparing the proposed regulation to any existing online slots regulation in other countries.

Monitoring and evaluation plan

The Department has made a non-statutory commitment to undertake a post-implementation review (PIR) within five years of implementation. The IA helpfully sets out key research questions the evaluation will address, underpinned by a theory of change model, high-level timeframes for the monitoring and evaluation activities, and potential monitoring metrics and what they will capture. The IA states the intent to use a combination of existing data published by the GC as well as working with it and other stakeholders to collect data to fill evidence gaps. The Department recognises there are several interventions within the Gambling Act Review which are also expected to impact gambling harm and therefore the evaluation should be designed to isolate the impact of the online slot stake limit from other interventions where possible. The IA could benefit from discussing the evaluation methodology in more detail, however, given this will depend on the supplier chosen to undertake the evaluation, the level of detail provided is sufficient for this stage.

Regulatory Policy Committee

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