



Fixed Odds Betting Terminals
All Party Parliamentary Group

Fixed Odds Betting Terminals Inquiry Report

“Fixed Odds Betting Terminals- Assessing the Impact”

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Associate Membership

The Group has agreed for organisations to apply for associate membership of the Group and these members have paid a fee towards the running of the Group.

The following organisations are associate members:

- Bacta
- Hippodrome Casino
- LM Consultants Ltd
- Campaign for Fairer Gambling
- Novomatic UK
- JD Wetherspoon
- Praesepe

Associate Members are external members of the APPG who support its aims and objectives. They have no voting power at meetings of the APPG as set out in the All Party Parliamentary Group rules, or influence over its work.

APPG Supporters

The following organisations are supporters of the FOBT APPG and support its aims and objectives.

- CARE
- Newham Council
- The Christian Centre for Gambling Rehabilitation

These groups have no voting power at meetings of the APPG as set out in the All Party Parliamentary Group rules, or influence over its work.

For more information, please see www.fobt-appg.com or the [FOBT APPG Register](#)

Introduction

The Fixed Odds Betting Terminals (FOBT) All Party Parliamentary Group (APPG)¹ 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, with a recorded account, which can be played on them.

These concerns have also been extensively recorded in the media and Parliamentarians in both Houses have received numerous representations from constituents and other members of the public on the negative and harmful impacts that FOBTs have had on individuals, families and communities.

In response to this, and due to our concern about the lack of effective Government action in this area, the FOBT APPG launched an inquiry in June 2016 to assess the impacts of FOBTs on our society and communities.

At the time of the report's launch, Carolyn Harris MP the Chair of the All Party Group said:

"I am delighted to announce this important inquiry. The FOBT All Party Group, a genuinely cross party group, will seek to fully assess the impact of FOBTs on our society and economy. It is time for a proper look to be taken at the impact of these machines on all our communities"

Stuart McDonald MP, the Vice Chair of the group said:

"This inquiry will enable us to take a fresh look at the impact of FOBTs on our communities in Scotland, Wales, Northern Ireland and England. The Government has a duty of care to protect the vulnerable. The aim of this inquiry is to provide a final comprehensive analysis to enable them to do so."

In a series of hearings, this inquiry has taken oral evidence from a wide range of stakeholders involved in this debate ranging from those who have experienced first-hand, the harm these machines can cause, to the Gambling Minister, Tracey Crouch MP and the Chief Executive of the Gambling Commission. We are grateful to everyone who has contributed to this inquiry and provided evidence to it.²

The Group also received written submissions from interested parties. To date, we have received over 25 responses and we would like to thank the respondents for these³.

The bookmakers declined to appear before the Group and (to date) have not submitted any evidence to us. We provided the bookmakers with every opportunity to contribute to the inquiry and present their side of the case. We

¹ Further information on the All Party Group can be found at www.fobt-appg.com
A full list of members of the Group is set out at Annex B.

² A full list of those who gave oral evidence is set out at Annex C.

³ A full list of those who provided written submissions to inform the inquiry is attached at Annex D.

would have welcomed this and been interested to hear it. They declined to participate. We did however, hear from a number of people who had previously worked in the bookmaking industry who provided evidence to the inquiry.

We are formally submitting this report and its recommendations to the Government and we look forward to receiving their response.

While many members of the FOBT APPG are on record voicing their concerns about FOBTs, this report and its subsequent recommendations, are based on the evidence presented to us.

Below we set out the background to FOBTs and a summary of the evidence sessions and submissions sent in to the inquiry. Key findings are set out at the end of each section.

Our full conclusions are set out below. In summary, however, 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.

Background to Fixed Odds Betting Terminals

Fixed Odds Betting Terminals or FOBTs, which are categorised as category B2 gaming machines, are largely located in Britain's bookmakers. They allow customers to stake £100 every 20 seconds on electronic versions of casino games such as roulette.

An operating licence (issued by the Gambling Commission), together with a betting premises licence (issued by the licensing authority), allows for up to four FOBTs in each bookmaker. They are also permitted in casinos although not all casinos choose to have them.

FOBTs first appeared in bookmakers the early 2000s and were legislated for as part of the 2005 Gambling Act.

According to the Gambling Commission, there are currently 34,809 FOBTs on Britain's high streets. In addition, there are around 180 FOBTs located in casinos.

FOBTs are highly profitable generally with over half a bookmaker's profits now being derived from income from FOBTs. In 2015, the Gambling Commission estimated that £1.7bn⁴ was lost on FOBTs in Britain. This means that each machine, took an average £48,724 from gamblers in 2015.

Concerns linked to FOBTs

FOBTs have come to public attention due to the maximum £100 stake which can be wagered on them. This is significantly higher than the stakes which can be wagered on other gaming machines. Table 1 lists the current stakes on different gaming machines.

Category	Maximum stake	Maximum prize	Number in operation	Typical locations
B1	£5	£10,000 (or £20,000 for linked progressive)	2,645	Casinos
B2	£100	£500	34,725	Betting shops and casinos

⁴ Gambling Commission Industry Statistics
<http://www.gamblingcommission.gov.uk/Gambling-data-analysis/statistics/Industry-statistics.aspx>

B3	£2	£500	17,150	Bingo clubs, arcades, betting shops
B4	£2	£400	224	Private members clubs
C	£1	£100	71,221 ⁵	Bingo clubs, arcades, pubs
D	10p	£5	40,844	Bingo clubs and arcades

Table 1 Current stakes on different gaming machines.

Critics have noted that this high stake on a FOBT means that the machines are highly volatile in that large sums of money can be lost on them relatively quickly.

They also claim the machines have strong “reinforcing features” and that their design and play feature can make them highly addictive.

Concerns about the potential impact of FOBTs on problem gambling were expressed in evidence to the Joint Committee examining the Draft Gambling Bill 2003/04. GamCare (the charity that runs the national helpline for problem gamblers) said at the time, “It seems as if there is an increasing trend for asking us for help on FOBTs; from a few calls per month in early 2003 we are now receiving between 40 and 50 calls a month.”⁶

Gordon House (a charity providing support and treatment to addicted gamblers) told the Committee that an applicant had referred to FOBTs as “the crack cocaine of gambling” and that FOBTs were like a “catalyst or an accelerant”.⁷ The former phrase has been repeated ever since in discussions of FOBTs and problem gambling.

The Responsible Gambling Strategy Board (RGSB, an independent body advising the Gambling Commission) has said that there is a complex relationship between gaming machines, gambling and problem gambling and that the “correlations and associations” between gaming machines and gambling-related harm are “poorly understood”.

Based on this statement, the Gambling Commission have failed to adequately advise the Government in recent years, despite the principles for regulation and licencing under which the Gambling Commission operates. These principles state that “In interpreting the available evidence, the Commission will take a precautionary approach. For example, caution may be justified where evidence is mixed or inconclusive, and the Commission would not want to restrict its

⁵ Excludes Category C machines in bars and public houses

⁶ Quoted in Joint Committee on the Draft Gambling Bill, p130

⁷ Quoted in Joint Committee on the Draft Gambling Bill, p130

discretion by requiring conclusive evidence that something was unsafe before taking measures to restrict it.”⁸

Indeed, looking at data from the British Gambling Prevalence Survey 2010, the RGSB did acknowledge that there was “a growing group of gamblers participating in machines in bookmakers who might be more at risk of problem gambling”.⁹

The Association of British Bookmakers (ABB) has said there is “no evidence of a causal link between B2 machines and problem gambling.”¹⁰

Current regulation of Fixed Odds Betting Terminals

When FOBTs were initially introduced into betting shops in the early 2000s, their legal status was initially uncertain. FOBTs were not classified as gaming machines and so there were no limits on where they could be placed or what numbers of them there were in gambling venues. A code of practice was agreed in November 2003 which meant that:

- licensed betting offices could operate no more than 4 machines in total (whether conventional gaming machines or FOBTs, or a mix of the two)
- the maximum prize on FOBTs would be £500 and the maximum stake £100
- no casino games other than roulette would be allowed on FOBTs
- the speed of play on FOBTs would be restricted

FOBTs were subsequently legislated for as part of the 2005 Gambling Act and classified as B2 gaming machines. This set the maximum stake at £100 and the maximum prize at £500. Any further changes to the stake, prize limit or number of permitted machines would be permitted through secondary legislation.

Since their introduction, there have been ongoing public and political concerns raised at the impact of the very high stakes which can be wagered on them and the role of the machines in problem gambling and gambling related harm.

In 2013 the Department for Culture Media and Sport (DCMS) undertook a Triennial Review of Gaming Machine Stakes and Prizes. At this time, the Government decided to keep B2 stake and prize limits at the same level until

⁸ Gambling Commission, Statement of principles for licensing and regulation, March 2015

⁹RGSB, Advice to the Commission on the Triennial Review consultation, June 2013, para 9.15

¹⁰ Association of British Bookmakers, The truth about betting shops and gaming machines – ABB submission to DCMS Triennial Review, April 2013, p71

“robust” evidence was gathered on their role in problem gambling.¹¹ They did, however, acknowledge that there was a “serious case to answer” about the potential harm caused by FOBT machines.¹²

The Gambling Commission submitted formal advice to the Government at this time on category B2 machines. They acknowledged that there was a “serious case to answer in relation to B2 machines but said a precautionary reduction in stakes was unsupported by the available evidence.”¹³ This view was based on advice provided by the Responsible Gambling Strategy Board (RGSB) which said that the evidence on the link between gaming machine gambling and problem gambling needed to be developed. They concluded that before further action was taken it was incumbent on the industry to provide further evidence.

Following the continuation of concerns, in April 2014, the Government announced that it would be introducing new regulations in a “precautionary approach to high stake gaming machines on the high street.”¹⁴

The Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015 (SI 2015/121) came into force from 6 April 2015. These regulations introduced ‘account based play’ for players wishing to gamble more than £50 in a single play.

In January 2016, the DCMS published an evaluation of the Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015. On player control, the evaluation found that:

- despite marketing campaigns, there had been a relatively low uptake of verified accounts
- over the counter authorisation of stakes over £50 appeared to happen in a very low percentage of sessions
- the evidence showed a large number of players opted to stake below £50 and increase the duration of their session in response to the Regulations.¹⁵

In response to a number of parliamentary questions on B2 machines, the Government has said that the evaluation of the 2015 Regulations “indicates that a large proportion of players of FOBTs may now be making a more conscious

¹¹ DCMS, Triennial Review of Gaming Machine Stake and Prize Limits; Proposals for Changes to Maximum Stake and Prize Limits for Category B, C and D Gaming Machines, see the table on p21

¹² DCMS, Gambling Act 2005: triennial review of gaming machine stake and prize limits – government response, October 2013, p18

¹³ Letter from Philip Graf, Chair of the Gambling Commission, to Maria Miller, Secretary of State for Culture, Media and Sport, dated 20 June 2013

¹⁴ DCMS, Gambling Protections and Controls, April 2014

¹⁵ DCMS, Evaluation of Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015, January 2016, pp2-3

choice to control their playing behaviour and their stake level. We will now consider the findings of the evaluation before deciding if there is a need for further action”.

The Government has subsequently launched a *Call for Evidence on the Review of Gaming Machines and Social Responsibility Measures* which includes “a close look at the issue of sub-category B2 gaming machines”.¹⁶

The Fixed Odds Betting Terminals APPG welcomes the launch of this review which is long overdue. The Group has responded to the review and submitted evidence to it. We look forward to engaging with DCMS on the further regulation of FOBTs in response to this Review and await the Government’s conclusions and clarification of next steps.

¹⁶ [Department of Culture Media and Sport, Review of Gaming Machines and Social Responsibility Measures, 24 October 2016](#)

Harm Prevention Measures Introduced by the Betting Industry

An ABB Code for responsible gambling and player protection in licensing betting offices was published in September 2013.¹⁷ The measures relating to gaming machines include suspensions in play if voluntary time and money limits are reached; mandatory alerts that tell players when they have been playing for 30 minutes or when £250 has been spent; training staff to recognise the opportunity to interact with customers repeatedly loading money; and no longer siting cash machines that can be used from with a betting shop. Additional measures were introduced in November 2014; these require gaming machine customers to make a choice as to whether they wish to set a time and/or money limit.

A Responsible Gambling Committee reviews compliance with the Code and makes recommendations as necessary. A NatCen evaluation of the early impact of the Code was published in December 2015.

The evaluation did not find any statistical evidence that the Code had an impact on the four outcomes it had prescribed. However, it said that it would be “premature” to draw any conclusions about the Code’s effectiveness.¹⁸

The Senet Group

The Senet Group, founded by William Hill, Ladbrokes, Coral and Paddy Power, was launched in September 2014. Membership is open to any gambling operator. The Group’s members have committed to adhere to industry codes of practice, including that of the ABB. They have also pledged not to advertise gaming machines in betting shop windows and to dedicate 20% of shop window advertising to responsible gambling messages. The Group can “name and shame” operators who breach the above commitments as well as imposing fines. Gambling operators who repeatedly breach the code will not be able to use the Senet Group logo and could be expelled from the Group¹⁹.

Self-exclusion schemes

It is a requirement of the Gambling Commission’s licence conditions and codes of practice that gambling operators offer customers the opportunity to prevent themselves from gambling by “self-excluding”. The minimum period of time is six

¹⁷ Association of British Bookmakers, Code for responsible gambling and player protection in licensing betting offices in Great Britain, September 2013

¹⁸ Sergio Salis et al, ABB Code for Responsible Gambling and Player Protection: evaluation of early impact among machine gamblers, NatCen, May 2015

¹⁹ Senet Group website: How we work

months. Responsibility for continuing to self-exclude lies with the customer although gambling operators should do all they “reasonably can” to help.²⁰

A trial scheme in Chatham involving the ABB and Medway Council was announced in November 2014. The scheme allows anyone with a gambling problem to exclude themselves from every betting shop in the town. This is different to existing schemes that only enable someone to exclude themselves from one specific operator.

A self-exclusion scheme, backed by the ABB and Glasgow City Council, now operates across Glasgow.

Further information on self-exclusion is available from the Gambling Commission website and GamCare’s website. There has been criticism of the effectiveness of these schemes and their impact which we discuss in further detail below.

Player awareness scheme

In December 2015, the ABB announced details of a new Player Awareness Scheme (PAS). PAS is based on the assumption that it is possible to distinguish between problem and non-problem gambling behaviour by players using gaming machines in licensed betting offices. All members of the ABB have signed up to the initiative.

On 18 April 2016, the RGT announced that it had commissioned PricewaterhouseCoopers to evaluate the PAS. During the course of our inquiry the consultancy PriceWaterhouseCoopers (PWC) issued its report.

This research commissioned by Gamble Aware revealed more work was required before innovative algorithms or ‘Player Awareness Systems’ (PAS) can be proven to minimise harmful play on gambling machines. The report revealed that there was still more training, research and development required before bookmakers could be confident that these systems are effectively protecting their customers from gambling related harm.

While the review by PriceWaterhouseCoopers highlighted that the PAS initiative was, at the time of study, in its infancy, it highlighted some significant areas for improvement including inconsistent control over the sending out of messages to those players deemed ‘at risk’, the documenting of the actions taken by the bookmaker and restricting marketing activity to those under review. There was also very little data available about the impact of different types of interactions and messages. The report also exposed significant differences in how firms apply the measures.

The systems work by identifying certain markers that indicate a gambler is having trouble stopping. But, there is, the report noted, no standardisation of how

²⁰ “Medway’s responsible gambling partnership will protect problem gamblers”, ABB News, 12 November 2014

the companies interpret those markers or which markers they use, leading to major discrepancies in the data.

It said that companies often did not track whether warning messages were delivered, nor did they collect information on whether the gambler changed their behaviour. PwC also said that procedures designed to halt adverts being sent to at risk players often did not work or were activated only after a lengthy delay.

Inquiry Sessions of the All Party Parliamentary Group

Session One - Assessing the Impact people who have gambled

A key part of our APPG inquiry has been the oral evidence sessions we have held to accumulate evidence and supporting material from key stakeholders in the debate around FOBTs. Seven sessions were held in total.

In this section we report on each of these sessions in turn and also incorporate evidence from the written submissions we received.

At our first inquiry session, the Group took evidence from individuals including people who had previously gambled on FOBTs. Witnesses were:

- **Eugene Farrer, a former FOBT user now working with Gambling Reform and Society Perception (GRASP)**
- **Tony Franklin, a former FOBT user and founder of the Gambling Hurts Action Group**
- **Simon Perfitt, a former FOBT user**
- **Derek Webb, the founder of the Campaign for Fairer Gambling (CFG)**

The Group began by hearing very powerfully from three individuals who had themselves experienced at first hand the harms that could be caused by FOBT machines.

Mr. Simon Perfitt began by recounting to the Group that he began playing FOBTs having initially played arcade and lower category machines. He then quickly migrated to using FOBTs when they became available in bookmakers as they had higher stakes with faster and more attractive content. Mr. Perfitt reported that he became addicted to FOBTs and this had had a serious and negative impact on his life. Mr. Perfitt said that the ability to insert his credit card into the machines further increased his issues.

Mr. Eugene Farrer also described how he began gambling on FOBTs. He noted that, similarly to Mr. Perfitt, his issue had started in arcades rather than in bookmakers at the age of 11-12 playing slot machines, now called category D machines.

He said that this had progressed over the years to a variety of different games and then these machines directly lead to the high stakes games available on FOBTs in bookmakers.

Mr. Tony Franklin explained that he began gambling on machines around the age of 9 or 10 in arcades and was addicted very soon after that. He noted that it

was an addiction that had progressed in severity, as he became a more “pathological addict”.

He noted that he was in full support of the call for a reduced stake of £2 on FOBTs. While Mr Franklin said he felt that all gambling machines were “dangerous and addictive by design” on FOBTs “you can lose money quickly, but you can also win money phenomenally quickly” which added to the excitement of using them. Mr. Franklin also highlighted the danger of the ‘repeat’ button on a FOBT.

Mr. Franklin showed the group a selection of receipts from the “hundreds of thousands” that he suspected he had lost over the years. Each receipt was for losses of over £1,000.

In addition to the submissions and impact statements submitted to by these three former FOBT users who had experienced the many harms FOBTs can cause at first hand, the Group also received many moving written submissions and testimonies from a number of former and current FOBT users. Some also describe themselves as problem gamblers. These testimonies provided many personal stories about the impact that high stakes on FOBTs can have and how they can quickly lead to uncontrolled gambling and ‘problematic’ behaviour. They also powerfully set out the knock-on consequences for families and communities. We are grateful to the individuals and groups who provided these personal experiences.

In this session, the Group also heard from Derek Webb, the founder of the Campaign for Fairer Gambling which has long been campaigning against FOBTs and for a reduction in the stake which can be wagered on them to £2.

Mr. Webb said “When FOBTs were approved, a gift to the DCMS minister was granted to allow stake reduction, if adequate evidence of associated harm was forthcoming.” He set out that the available evidence is “robust, clear and convincing” and urged a stake reduction to £2 maximum per spin on a FOBT. This would effectively level the playing field with the highest maximum on other high street machines.

Mr Webb noted that gambling support groups such as “Gamblers Anonymous and GamCare, whilst providing some help to some people, are a poor substitute for public health involvement in a mental health issue.” He noted that the “totality of gambling related harm, in particular FOBT related harm, is increasing daily” as a result of FOBTs being freely available on the high street.

He also noted that: “The ABB [Association of British Bookmakers] CEO, Malcolm George, claims that betting shops are the safest places to gamble on the high street. This is absolutely false. They are probably the most dangerous legalised gambling venues anywhere in the developed world.”

In this context, he noted that the murder of a betting shop manager [which took place in Morden in 2013] and the attempted murder of a young female employee [in Leicester] would not have happened were it not for FOBTs.

In discussion, Mr. Webb explained the risks of the machines facilitating money laundering and explained that the machines allow a relatively low cost to “clean” and legitimise money due to the high stakes and the nature of the design of the machines. We have received a number of written representations on this point and also discuss it in further detail below.

Mr. Webb noted that he believed that FOBTs were the most addictive form of gambling and there was significant amounts of evidence to suggest that this was the case. He stressed that the most obvious way to reduce harm on the machines would be to reduce the stake to £2 but while stake reduction was critical other changes could also be made including:

- Decreasing the speed of play and increasing time limits between spins
- Removing the audio and visual element of the games such as the sound of the roulette wheel and the lights on the game or its design

Mr. Webb noted that he had found no evidence to suggest that there would a detrimental effect on the high street if the stake was reduced..

This view was supplemented in other written evidence to our inquiry. In these submissions, two reports have been highlighted to us by NERA consulting and Landman Economics on the economic impact of reducing the stake on FOBTs.

The submissions quote from the NERA report in 2014 noting that the impact of stake reduction on “the number of shop closures could be between 700 and 1200 which would leave the industry with just 5 to 10 per cent fewer shops that there were in 2000, before the introduction of B2 machines. The likely impact on the betting industry is therefore very substantially smaller than [had been previously suggested by the ABB”.²¹

Since the publication of this initial NERA report the trade body bacta has commissioned an updated report. They asked NERA to undertake a further assessment to quantify the impact of a reduction in the maximum stake to £10 and £20 respectively.²² NERAs new report, which is to be published shortly, but which has been submitted prior to publication to the Group, concludes that: “whilst there would be a reduction in income from machines if the stake were reduced, there would be an increase in the spend on traditional Over the Counter (OTC) products and increase in the income from £2 maximum stake Category B3 machines”.

The overall impact, given a detailed analysis of shop profitability, was that “at a £20 maximum stake there would be no impact [or reduction] on the number of betting shops [in operation], which is clearly a very significant finding in the context of the concerns raised by the bookmakers in relation to stake

²¹ The stake of the Nation – Balancing the Bookies, Review of the Association of British Bookmakers’ Impact, NERA, April 2014

²² The Stake of the Nation: Balancing the Bookies, NERA, April 2014

reduction.”²³ They also say that even in the event of betting shop closure the impact on the industry and the economy is not clear and that there could be wider benefits to society as a result of these closures.

The Landman Economics report, which has been referred to us by a number of organisations, originally drafted in 2013 and updated in 2015, notes the cost to the economy of FOBT usage. It states: “other things being equal, an increase of £1bn in consumer spending on FOBTs destroys over 16,000 jobs in the UK”. The results of the report suggest that, if current rates of growth of FOBT expenditure are maintained:

- Gross industry revenues from FOBTs will double in real terms over the next ten years, resulting in a gain of around 5,000 jobs for the gambling sector by 2025/26 but a reduction of around 25,000 jobs for the economy as a whole.
- At the end of the ten-year period, the total annual wage bill in areas where FOBTs are established will be around £700 million lower (in today’s prices) than if FOBT use remained at its 2015 level.
- At the end of the ten-year period net tax receipts will also be around £120 million per year less due to the expansion of FOBTs. Revenue from Machine Games Duty is forecast to increase by around £280 million but this is more than offset by reduced receipts from income tax and National Insurance contributions (due to lower employment) and reduced VAT receipts (due to lower consumer spending on other goods and services).
- Increased proliferation of FOBTs also appears to be linked to an increase in the number of incidents in betting shops which required assistance and /or intervention from the police (up by 51 percent in calendar year 2014 compared to 2013).²⁴

Mr. Webb from the Campaign for Fairer Gambling has also queried whether FOBTs were currently legal in Northern Ireland, since the 2005 Gambling Act did not cover Northern Ireland and he submitted a formal legal opinion to the Group on this matter.

A number of stakeholders also raised the safety of bookmaker staff and the pressures being placed on them due to FOBTs, a matter which is of much concern to the Group. It is our view that the onus to protect gamblers should not be on bookmaker staff who are often not qualified or equipped to intervene and

²³ Impact Assessment on the Reduction in B2 Machines, NERA, Prepared for Bacta.

²⁴ The Economic Impact of Fixed Odds Betting Terminals: 2015 update A report by Howard Reed (Director, Landman Economics) November 2015

help those with gambling addictions or those who may become agitated by playing on FOBT machines. We address this in further detail below.

Key findings from this part of the inquiry:

- There are widespread calls for a substantial stake reduction with many feeling that £2 would be an appropriate level.
- The evidence suggests FOBTs are having a clear negative impact on the young and vulnerable, driving problem gambling, addictive behaviour and impacting on families and communities more widely. The Group has heard many tragic stories to this effect.
- In considering the impact of FOBTs it is critical that the Government considers not just the impact on 'problem gambling' but the wider gambling related harm caused by the machines, including the impact on mental health and the cumulative impact on families and communities that these machines can have.
- There is evidence that there would not be a severe economic impact or extensive bookmaker closures if the number of FOBTs on the High Street or the stake on a FOBT were reduced. Instead money spent on FOBTs could be spent elsewhere in the economy in more labour intensive areas and the Government should do further economic analysis of this as part of its wider assessments of optimising economic productivity. Moreover, economic analysis from the organisation NERA suggests that if the stake was reduced to £20 there would be no impact on the number of betting shops and at £10 the number would be relatively low.
- There have been questions around the legality of FOBTs in Northern Ireland. We urge the Government to clarify this position.
- The dangers of using a debit card on FOBTs are evident and the Government should review the use of these as well as the 'repeat' function and the addictive design and play on a FOBT.
- The Group is concerned about the ability to 'stake-up' from B3 content to high stakes B2 content on a FOBT machine and about the limited provisions and protections that are in place to alert players that they are moving from a lower staking softer form of gambling to a far higher staking game.

Session Two - Assessing the Impact on Local Communities

In our second inquiry session, the Group took evidence on the impact of FOBTs on local communities hearing from representatives from local government. In this section, we also consider submissions that the group has received from local government organisations. The witnesses were:

- **Councillor Anita Lower, Local Government Association**
- **Ellie Greenwood, Senior Adviser (Regulation), Local Government Association**
- **Sir Robin Wales, Mayor of Newham Council**

Councillor Lower set out the case to the APPG on behalf of the Local Government Association (LGA). The LGA's position is that it would like to see both a reduction in the number of FOBT machines and a reduction in the stake that can be wagered on them. This, they argued, should be brought into line with other gaming machines on the high street. The LGA are therefore seeking a substantial stake reduction to a level they said "at around £5."

The LGA noted that these calls for a substantial stake reduction were being driven by concerns among local authorities and also local residents particularly in areas where there was a clustering of bookmakers, and therefore FOBTs, particularly in areas of social deprivation. They noted that "In some places, everything had closed apart from the bookies and they are moving into empty shops."²⁵

The LGA also noted that they were particularly concerned with the knock-on effects of the machines; the anti-social behaviour being caused, domestic violence, money problems, health problems and in some cases, the loss of employment and homes as a result of FOBT use.

The LGA outlined the difficulties of challenging the development of betting shops in local areas as the Gambling Act 2005 had abolished 'the demand test', and essentially facilitated the granting of bookmaker licenses at the local level. The LGA is seeking a reformulation of the Gambling Act to give local authorities more powers and is looking for a Cumulative Impact Test to be instated to give local authorities more powers to control the development of new bookmakers. They noted that local authorities were "powerless to object to bookmaker planning applications".

In Newham, for example, it was reported to us that "the Planning Inspectorate has overturned 100% of change of use planning applications for betting shops rejected by the local authority since 2008. Reclassification of betting shops from

²⁵ Minutes of inquiry session two

financial and professional services to a new standalone use class does little to combat existing clustering.”

When asked about the views of the police, the LGA noted that they were keen to see action on FOBTs. They said that “research conducted by Westminster and Manchester Councils found that the crime related to FOBTs occurred outside or inside shops and could be quantified. But the other impacts such as domestic violence, theft, use of food banks and impact to children was unquantifiable and the police were not able to monitor this aspect.”

The Group also received written submissions from a number of local councils including Haringey Council, Leister City Council and Newham Council expressing their concerns about FOBTs.

Haringey Council reported that Tottenham High Road in the borough had the fifth highest proliferation of betting shops where gamblers lost an estimated £2.5million in 2015. They also highlighted that they are concerned about the “impact of problem gambling and FOBT use on health” and on the young and vulnerable. The Group agrees that it is critical for the Government to consider the impact on health and health service provision as a result of the impact of FOBTs.

The second witness at this session was Sir Robin Wales, the Mayor of Newham who has been actively campaigning against FOBTs and calling for greater control of FOBTs at the local level.

The Sustainable Communities Act 2007 (as amended) permits local authorities to make proposals to the Government for policy changes to facilitate the creation of sustainable communities.

In November 2014, Newham Council lodged a proposal with the Department for Communities and Local Government (DCLG), demanding that the Government reduce the maximum stake on B2 machines to £2. The proposal was supported by 93 councils - 31 from London and 62 others from around the country and held by all political parties. The Government rejected the proposal on 15 July 2015.

In a letter to Newham Council, Marcus Jones, Minister for Local Government, said:

“(...) the Government currently does not support calls set out in the submission for a reduction in stake size on B2 gaming machines. We are not convinced that local authorities have yet made the most of the powers that are already available to them under either planning or gambling law... ..the licensing process gives authorities considerable scope to attach additional conditions to licences where that is necessary to achieve the licensing objectives; to review licences once they have been granted; and power to impose licence conditions after review.”²⁶

Newham Council is currently in the process of appealing this decision.

²⁶ Letter published on the Barrier busting website

Sir Robin Wales outlined this process and the concerns of the 93 local authorities to the Group. He stated the Newham, in particular, became concerned at what was happening to their high streets, noting that anti-social behaviour and crime was resulting in a minimum of one police call out per day and now an average of 1.2 call outs a day to bookmakers in the local authority area. Further, he noted that due to the young population in Newham, he saw a threat to the vulnerable and was responding to the views of residents who wanted to see action taken.

Sir Robin reiterated a point made in the council's written submission to the Group noting that Newham are:

“not anti-gambling – however as a deprived borough with a young population we have a particular duty to ensure that gambling outlets do not target the most vulnerable residents. Newham's long standing campaign is focused on protecting the most vulnerable from exploitation and ensuring that local authorities have the power to regulate their own high streets appropriately. Newham aims to remove irresponsible betting outlets, empower residents and ensure that the borough is a pro-business location where residents are economically and personally resilient and enjoy a safe community.”

Newham reported in their submission to us that:

“The spread of high street betting outlets has a negative impact on the borough and residents tell us that their high streets are dominated by betting shops. In a local consultation conducted by Newham:

- 99% of residents who responded thought there are too many betting shops in the borough
- 84% of residents who responded agreed that the amount that can be bet on FOBTs should be reduced.”

Newham notes that the negative consequences on the local community are:

- The clustering of such outlets negatively impacts high streets and town centres by reducing local economic growth and the level of retail customers.
- Newham is concerned with the apparent correlation of greater numbers of betting shops in areas of deprivation, with more than twice as many betting shops in the poorest 55 boroughs compared with the most affluent 115, which are equivalent by population.
- Betting shops with gaming machines tend to be located in higher density urban areas and there is a correlation between close proximity to those shops and rates of crime and deprivation.

Key Findings from this session of the inquiry:

- FOBTs are having wide-ranging impacts on local communities and there are clear impacts on people's mental health. It is critical for the Government to consider the impact on health and health service provision as a result of the impact of FOBTs.
- Since the 2005 Gambling Act, local authorities have expressed concern about their lack of powers in relation to halting the development of new bookmakers and therefore the spread of additional FOBTs. This is due to a "statutory aim to permit" under the Gambling Act 2005. Despite assurances from the Government that local areas have sufficient powers in place, the Government should urgently assess the "statutory aim to permit" which local authorities are bound by. Government should address this licencing anomaly in the Gambling Act and carefully consider local authority concerns.
- The Government should address localism concerns and calls for greater controls over FOBTs at the local level. Powers should be given to prevent the clustering of betting shops.
- Scotland and Wales are both set to have powers to reduce to zero the number of FOBTs in new betting shops. We recommend that governments in Westminster, Edinburgh and Cardiff all give serious consideration to devolving sufficient powers to address FOBTs and the associated issues of shop clustering, in both existing and new premises, to the relevant local authority.
- While such a move could limit the number of new betting shops or FOBTs, the government must urgently address the proliferation and clustering of betting shops, particularly in more deprived areas. Reducing the stake on a FOBT and therefore the profitability of FOBT machines is one way to directly address the proliferation of bookmakers and FOBTs in local areas.
- The Group has heard many reports of the increased levels of crime resulting from the presence of FOBTs in bookmakers. While this suggests the staking level and number of FOBTs should be addressed by the Government, we also urge them to review the levels of staffing in bookmakers to ensure appropriate protection and supervision of players and the safety of bookmaker staff.
- Newham Council has succeeded in using Cumulative Impact Assessments to curb the development of new bookmakers. Other local authorities may want to apply this measure in curbing the expansion of bookmakers and FOBTs. While being a helpful mechanism to stop the expansion of future bookmakers, this would not, of course, provide a mechanism to deal with current bookmaker premises and clustering.

Session Three - Assessing the Impact on the Vulnerable

In its third session, the Committee heard from faith groups and the organisation GamCare. Witnesses were:

- **Martin Kettle, Policy Adviser, Church of England**
- **Dan Boucher, Director of Public Affairs, CARE**
- **Helena Chambers, Quaker Action**
- **Dirk Hanson, Chief Executive of GamCare**

Mr. Kettle began by explaining the Church's position on Fixed Odds Betting Terminals. He noted that the Church became concerned after hearing evidence from GPs and health practitioners that gambling related harm, particularly that relating to FOBTs, was becoming more and more prevalent. The impacts were being felt beyond the immediate player. Families, partners, communities were all being affected by gambling related harm. Mr. Kettle noted that while the church did not support gambling of any kind there was clear evidence of the harm particularly caused by FOBTs.

Mr. Kettle explained that there was concern in local communities at the number of betting shops and that there were concerns about the single staffing of betting shops.

He also mentioned a Freedom of Information Request published by the Metropolitan Police noting that it was clear that there was a trend of crime around betting shops. He noted that while there was no causal evidence to link FOBTs to this crime, he said that there was strong anecdotal evidence to suggest that the machines and the problems they have caused for players were a reason.

Dr Helena Chambers addressed the group from the Quaker Action on Alcohol and Drugs which is a group of the Religious Society of Friends. This group is managed by a Committee of Trustees who are appointed and conduct their practice in accordance with Quaker Practice.

Like the Church of England, Dr Chambers noted that while they were against all forms of gambling, particular concerns about FOBTs had emerged. In particular, the organisation was concerned about the extended opening hours of bookmakers and the larger losses that tended to occur in the evening.

Dr Chambers noted that she had previously given evidence during the scrutiny stage of the Gambling Act 2005 and that she had raised concerns about the potential impact of FOBTs at that time. Since then the material problems linked to the machines had come to light despite the limited information and data that has been made available by the bookmakers.

Dan Boucher from CARE also reiterated that they supported the Church and Quaker Action positions. CARE seeks to uphold human dignity and to support

the most vulnerable people in society, engaging with politicians in the UK Parliaments & Assemblies in its advocacy work. As an organisation they have been active in lobbying against FOBTs.

With other faith groups, they have held a series of meetings on their concerns about FOBTs with the Department for Culture Media and Sport, the Responsible Gambling Trust and the Gambling Commission to campaign for amendments to the current regulation of FOBTs.

CARE are particularly concerned about the impact that can, and often does, result from problematic FOBTs machine play – including, the risk of large debt and family and relationship breakdown.

CARE has been calling on the Government to reduce stakes on FOBTs from a possible £100 (or £50 when unauthorised) to £2, in order to bring the maximum stakes on FOBTs in line with stakes on other gambling machines. Most recently, CARE supported Lord Clement-Jones on his Private Members Bill – Gambling (Categorisation and Use of B2 Gaming Machines) Bill which also sought to reduce stakes on FOBTs to £2 per spin – promoting this solution in the last session of Parliament (2015-2016).

CARE is concerned about FOBTs due to the links to:

The statistical levels of problem gambling: including that in the last British Gambling Prevalence Survey (BGPS) in 2010 problem gambling prevalence figures were the third highest among FOBT users who had gambled during the past year at 8.8%; and sixth highest for those who used FOBTs regularly (at least monthly).²⁷

The practical impact on people's families: They say there are very real concerns about what effect problematic FOBT machine play can have on the individual gambler and his/her family life and jobs, and even in some cases, gamblers taking their own lives. These concerns are compounded as players do not have to chase their losses for very long before losing significant sums of money.

The incidence of violence: FOBTs have been linked with both anti-social and criminal behaviour, with reports in the press showing gamblers vandalising FOBT machines after losing large sums of money.

Money laundering; the machines have also been associated with money laundering – an article in the *New Statesman* notes that the ability to “*feed cash into FOBTs has made them an easy vehicle for money launders.*” They reference an article in *The Guardian*, which details conversations with a drug dealer who states that FOBTs “*turn dirty money clean.*” The dealer, known as “James” runs through the process, stating that drug money is put into the

²⁷ The British Gambling Prevalence Survey 2010, Heather Wardle, Alison Moody, Suzanne Spence, Jim Orford, Rachel Volberg, Dhriti Jotangia, Mark Griffiths, David Hussey and Fiona Dobbie, *National Centre for Social Research (Natcen)*

machines - some is lost, but the vast majority is cashed out. The dealer is given a printed ticket, showing they have gambled that day so, if stopped by the police, the dealer has a seemingly 'legitimate' reason for having large sums of money." In 2013, the Gambling Commission released a statement admitting that an individual had been able to launder as much as £90,000 in Coral betting shops and whilst staff had lodged a Suspicious Activity Report with the police, they did not challenge the individual despite having several opportunities to do so.

The proliferation of FOBT machines in low-income areas: There is a concern that FOBTs are found in lower income areas. The BGPS 2010 showed that the unemployed were more likely to use FOBT machines in comparison to those in employment; retired; in full time education; or engaged in caring for the family. It also showed that high-time/high-spend gamblers who had a relative preference for betting on horse races, FOBTs and playing casino games were *"more likely to live in areas of greatest deprivation, live in low income households and be unemployed."*²⁸

In addition, a 2016 study commissioned by the Responsible Gambling Trust and conducted by Geofutures, showed that problem gambling prevalence rates were higher among individuals living in close proximity to local betting shops.²⁹ The researchers mapped out areas with a high concentration of betting shops containing FOBTs and revealed that while causation could not be established, a relationship was discovered between problem gambling and the clustering of betting shops with FOBTs for 'highly engaged' loyalty card gamblers.

CARE believes that there is a clear and pressing need for a policy solution that addresses the heart of the FOBT problem - the combination of the high speed of play and the ability to bet large stakes, every twenty seconds. The solution proposed by many concerned stakeholders (see above), and specifically by CARE, is to reduce the amount that can be staked per spin from (a maximum) £100 to £2, bringing FOBTs into line with other gaming machines.

GamCare are the leading provider of information, advice, support and free counselling for the prevention and treatment of problem gambling. They operate the National Gambling Helpline, provide treatment for problem gamblers and their families, create awareness about responsible gambling and treatment, and encourage an effective approach to responsible gambling within the gambling industry.

²⁸ The British Gambling Prevalence Survey 2010, Heather Wardle, Alison Moody, Suzanne Spence, Jim Orford, Rachel Volberg, Dhriti Jotangia, Mark Griffiths, David Hussey and Fiona Dobbie, *National Centre for Social Research* (Natcen), Table 3.6 on page 45 and page 11 <http://www.gamblingcommission.gov.uk/PDF/British%20Gambling%20Prevalence%20Survey%202010.pdf>

²⁹ Patterns of Shops, Patterns of Play: insight into how space may relate to behaviour, *Geofutures*, 25 May 2016 <https://www.geofutures.com/research-2/patterns-of-shops-patterns-of-play-insight-into-how-space-may-relate-to-behaviour/>

Dirk Hanson, the Chief Executive of GamCare reported that FOBTs were by far the largest cause of calls to the organisation.

He reported the organisations publication of its most recent statistics for 2015 / 16 and noted that FOBTs are leading to 23% of all helpline calls, compared to 16% calling with problems linked to online gambling. This proportion is not insignificant given that last year 28,000 people used Gamcare's services. Last year there was a 50% increase in calls as a result of problems caused by FOBTs compared with other form of gambling.

Mr. Hanson noted that that Gamcare worked with industry and that independent contributions to independent treatment, research and education could be greater than they currently are.

Key findings from this part of the inquiry

- Many church groups share the public and political concerns about FOBTs.
- Bookmakers are now open materially longer hours and there is extensive anecdotal and research evidence showing that larger losses and more problematic patterns of play tend to occur later in the evening. The supervision levels and opening hours of bookmakers should be considered in the regulation of FOBTs.
- There are many evident and growing problems associated with FOBTs. In addition to the link with FOBTs to problem gambling, wider gambling related harm and increased levels of crime, there is also evidence of greater bookmaker clustering in areas of higher social deprivation and potentially higher levels of vulnerability. The Government must consider this in assessing the regulation of FOBTs.
- There are a disproportionate number of calls to GamCare relating to FOBTs suggesting that they are a contributing factor to gambling related harm.

Session Four- Wider Gambling Industry

In its fourth session the Committee heard evidence from representatives from the wider gambling industry. Witnesses were:

- **John White, Chief Executive, Bacta**
- **Jason Frost, President, Bacta**
- **Tracey Damestani, Chief Executive, National Casino Forum,**
- **Dennis Dowling, National Casino Forum**
- **Simon Thomas, CEO and Chairman, Hippodrome Casino**
- **Fintan Drury, Ex Chairman - Paddy Power**
- **Bill Bennett, formerly Ladbrokes**
- **Barry Philips, formerly Ladbrokes**

Bacta is the trade association for the amusement machine industry and supply chain. It has around 500 members comprising the owners and operators of Family Entertainment Centres at the seaside, inland Adult Gaming Centres (AGCs), companies that hire machines to pubs and clubs as well as the manufacturers and distributors of all types of amusement machine. There are around 310,000 amusement machines located in Britain. Bacta members do not operate Fixed Odd Betting Terminals.

According to research commissioned by bacta from Price Waterhouse Coopers (PWC), their industry in 2015 employed directly and indirectly 34,000 people and contributed just under £2 billion to the economy. Many of those jobs, particularly in the manufacturing and maintenance sector “are highly skilled”.³⁰

John White, the Chief Executive of bacta, noted that bacta had taken the decision to speak out against FOBTs as there had been a “remarkable impact” upon bacta member’s businesses since the introduction of FOBTs in bookmakers. He noted that FOBTs have never been part of bacta’s ethos, nor within what they deemed appropriate for the high street.

Mr. White outlined that numerous impacts over the past decade have had a deleterious effect on the industry, above all the rise of the Category B2 machines or FOBTs in bookmakers have resulted in 50% of over-18 Adult Gaming Centres disappearing from the High Street in the last decade.

Bacta reported that the impact of FOBTs has also been felt in pubs, clubs and bingo halls. Estimates from the pub sector put that impact at around a 6% loss of machine revenue.

³⁰ Project Fruit: Consumer and Industry Insights, PWC, September 2015

During the course of our inquiry, the pub chain JD Wetherspoon, one of the UK's largest pub companies reported that the proportion of its income from machines halved since 2000 from 6% to 3% or £48m of £1.6bn revenues.³¹

Similar reports also come from the bingo sector and the club sector (working men's clubs, political clubs, sports and social clubs).

Bacta noted that FOBT machines are not appropriate on the High Street. They also stated that they are not against competition, but the introduction of a very high stakes machine in one High Street age-controlled adult environment and not in another High Street age-controlled adult environment dedicated to machine play "creates an un-level playing field with the rest of the industry."

They say that they do not wish to have FOBT machines in Adult Gaming Centres. While they stressed that bacta is not anti-bookmaker they noted that FOBTs in their current format are very hard gambling that is appropriate only for casinos.

Mr. White went on to argue that in comparison to other high street gaming locations, such as bookmakers, adult gaming centres had a very low instance of crime and there was little negative social impact in comparison to the bookmakers.

When asked about social responsibility issues Mr. White said that player protection "is at the heart of everything that bacta does", along with social responsibility and knowing their players.

The President of bacta, Jason Frost spoke about the various training initiatives that bacta had developed for their members, including operator and personal licence training, which included specific training on spotting people who were spending too much or may be developing a gambling problem. He noted that particularly in family gaming centres, there are a number of protective measures to safeguard children, including segregated areas for games above category D.

Mr. Frost also outlined his concerns about the reputational damage being done to the industry as a result of FOBTs. He noted that the sector is overwhelmingly associated with the word "fun". Nevertheless, bacta members report customers frequently associating their machine business with FOBTs and the negativity around them. For the amusement machine industry therefore, this is a further reason why they wish the stake to be reduced to "a more appropriate level."

The National Casino Forum (NCF) represents the casino sector in the UK. The Chief Executive, Tracey Damestani noted that there are 2,800 machines in casinos of which 185 are category B2 or FOBT machines. Ms. Damestani

³¹ Reported in the Financial Times, September 19 2016
<https://www.ft.com/content/dcb2154a-7bfd-11e6-b837-eb4b4333ee43>

underlined the wide range of player protection measures that are in place in casinos.

Each casino is permitted to have a maximum 20 machines of Category B to D, with a total of only 2,729 machines in use across the UK. Casinos, in the main, choose to have B1 machines (with a maximum stake of £5 & jackpot of £10,000); this type of machine is permitted solely for casino use.

The NCF reported in their submission to us that there has not been any increase in crime, damage to machines nor threats to casino staff arguing that this demonstrates that casinos are the appropriate environment for B2s (FOBTs). While casinos can choose to include B2 machines (FOBTs - max stake £100) within their allowance of twenty machines in general they do not.

The NCF noted that unlike bookmakers there are high levels of supervision in casinos which, by law, are required to have trained and licensed door staff to monitor entry and have a reception area to control entry. They also noted that the ratio of staff to customers is very high, with dedicated staff monitoring machines and customer behaviour in the premises at all times.

The NCF argued that while LBOs and casinos are both “gambling premises”, they operate within completely different environments. The level of monitoring and control (including much more widespread use of casino loyalty cards and membership) is significantly higher they say than can be achieved in high street bookmakers.

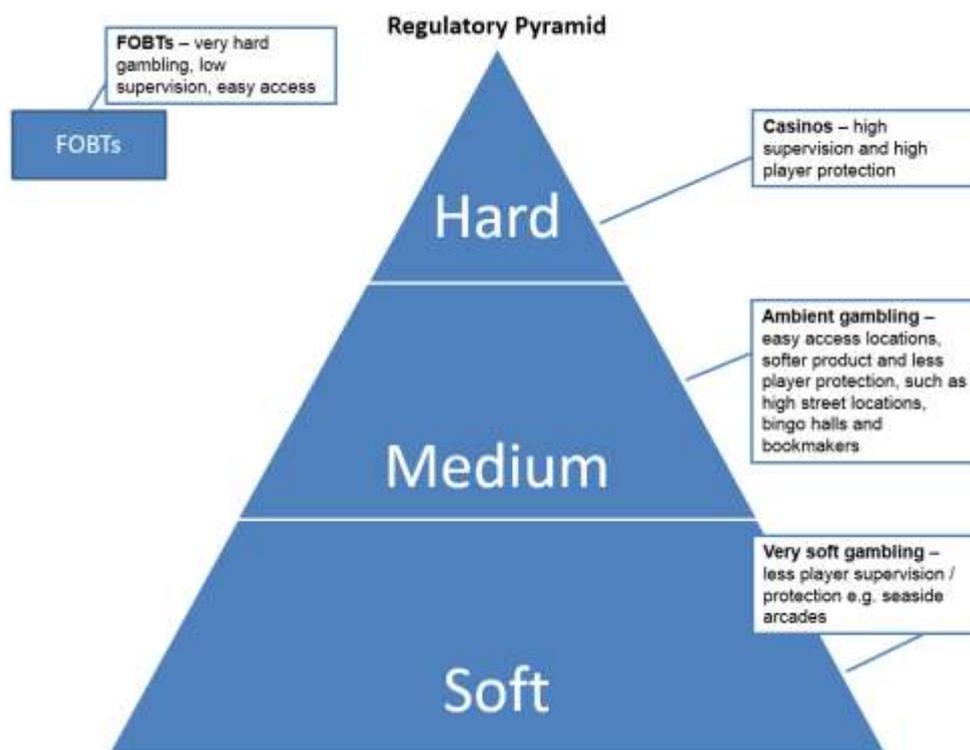
Mr. Simon Thomas, the Chairman and Chief Executive of the Hippodrome Casino in London, noted the amount of training that his staff undertook particularly around recognising problematic behaviour and offering help to those that needed it. He said that in his casino, he had only ever had two machines damaged, compared to over 7,000 damaged per year in Britain’s bookmakers.

Mr. Thomas noted that the roulette wheel in a bookmaker on a machine was materially different from that in a casino. He noted that the spin of a live wheel was around 100 seconds, in comparison to the 20 seconds in a bookmaker. In a casino, this required someone on the table to be sufficiently trained in looking at player behaviour, analysing the spend of customers and monitoring the way that people were playing.

Mr. Thomas also underlined that he did not have a commercial interest in undermining FOBTs. He noted that he does not have B2 machines, nor does he plan to have them in the future. Further, he stated that the number of machines that casinos were limited to made it an unattractive offering. His concern he said derives from the reputational damage FOBTs are having on the wider industry and the evident negative impact they are having on the young and vulnerable.

Mr. Thomas said that FOBTs machines are at odds with the regulation of gambling in the UK and worldwide. The 1968 Gambling Act put in place a regulatory pyramid with harder gambling at the top, in strictly regulated casinos

with very high levels of player protection and supervision. The middle tier, general high street ambient gambling, was planned to be fairly soft gambling with lower levels of player supervision, in places like LBOs, arcades and bingo halls. At the bottom, seaside arcades which have trivial gambling and the lowest levels of supervision and gambling. Sir Alan Budd agreed with this when he proposed the structure and basis for the 2005 UK Gambling Act. The proliferation of FOBTs has taken place outside this regulatory structure. They allow very hard gambling in easily accessible locations with very low supervision levels.



Mr. Thomas stressed that no other country in the developed world has £100 stake gaming machines other than in highly supervised casino environments. Regulators there properly regulate all high stakes gambling and recognise hard gambling has to be in highly supervised premises that customers recognise as such. Where allowed at all, the normal level of stake for machines in low supervision, ambient gambling high street locations worldwide is around £2 a spin, as are other high street machines are in the UK.

At the launch of a report by Professor Peter Collins on Friday 18 November, 2016, looking at the stakes which can be wagered on a FOBT and which we

discuss below, Sir Alan Budd, the author of the Budd Report, which underpinned the 2005 Gambling Act, commented:

“FOBTs are not in the spirit of our report. We agreed that betting shops should have gaming machines but not of this type. We also believed that local authorities should have a larger role in licensing premises.”

He went on to say that gambling of this sort should be reserved for specific highly regulated casino premises and that it was an important part of the Review team’s recommendations that its proposed changes should be monitored closely.³²

The bookmakers

As noted above, the bookmakers declined to appear before the Group and (to date) have not submitted any evidence to us. We provided the bookmakers with every opportunity to contribute to the inquiry and present their side of the case. We would have welcomed this and been interested to hear it. They declined to participate.

As we were keen however, to hear from those who had worked in the industry and experienced FOBTs at first hand we did manage to speak to a number of individuals who had since left the bookmaking industry.

The first of these was Fintan Drury the former Chairman of Paddy Power. Mr. Drury has been outspoken in his concerns about FOBTs.

Mr. Drury noted that there was a responsibility for business to seek to make money in a way that was morally and socially responsible. He noted that “Number 10 [the Government] had often looked at bookmakers to reform the way they made money and assess the impact of their businesses”. However, as tax returns were so high, he felt no Government was likely to tackle FOBTs effectively without facing challenge from the bookmaker industry or Treasury.

Mr. Drury also argued that there needed to be a combined front from bookmakers to take action against the machines. Although it may not be in the interest of shareholders immediately, there was significant reputational damage that was being done and had already been done to the gambling industry in the UK. Mr. Drury’s view was that the stake should be reduced on a FOBT to £10 or £2 to gain parity with other gaming machines.

During our inquiry, Stewart Kenny, a co-founder of Paddy Power, has also been reported in the press as speaking out against FOBTs. The founder and former chief executive of Britain’s biggest bookmaker is reported to have lobbied the government against FOBTs. He warned that the British government was “as

³² Comments by Sir Alan Budd, 18 November 2016, at launch of Peter Collins report on reducing stakes on FOBTs, the Jubilee Room, The Houses of Parliament.

addicted to the tax revenue [from the machines] as vulnerable customers are to losing money in them”.³³

The Group also spoke to two former Ladbrokes employees Bill Bennett and Barry Phillips. Both spoke of their concerns particularly around staff and customer safety in the context of FOBTs. They said they had both witnessed at first hand the violence which can be caused by FOBTs in bookmakers and the unwillingness of Ladbrokes to deal with this in an appropriate way. In their oral and written evidence to the Group, they noted their concerns: “at the increasing levels of crime and anti-social behaviour associated with the use of Fixed Odds Betting Terminals (FOBTs) in particular, the correlation with violence suffered by shop staff, who are too often working alone and often in fear for their own safety.” They argue that staff are “not as well trained as asserted by the Association of British Bookmakers, and that in comparison with casino’s and Adult Gaming Centres, betting shops are not the safest place to gamble in the high street.”

Key Findings from this part of the inquiry

- While elements of the industry clearly have commercial interests in reducing the stake and attractiveness of FOBTs there seems to be a widely held sense from the broader gambling industry (beyond the bookmakers) that FOBTs are doing great reputational damage to the gambling sector.
- There is also a strong sense of a lack of level playing field for others in the industry since bookmakers are able to offer higher stakes machines, which fall outside of the usual pyramid of gambling regulation which was supported by Sir Alan Budd in his recommendations ahead of the 2005 Gambling Act.
- The casino industry noted the materially higher levels of supervision and corresponding lower levels of crime found in a casinos compared with bookmakers. This was reiterated by former bookmaker employees.
- It is important that policy makers continue to appreciate the distinction between the hard gambling on FOBTs which is undertaken in betting shops with low regulation and very low levels of supervision and that which is undertaken in casinos where there are very high levels of supervision and player protection.
- We noted with interest Sir Alan Budd’s comments that FOBTs were not in the spirit of his original report prepared ahead of the 2005

³³ The Times Newspaper, Monday 5 December, 2016.

<http://www.thetimes.co.uk/article/betting-boss-crack-cocaine-of-gambling-must-be-banned-sxpl209g>

Gambling Act and that the Budd Review “agreed that betting shops should have gaming machines but not of this type.” He also felt that local authorities should have a larger role in licensing premises.

- Former senior figures in the bookmaker industry have voiced their concerns about the suitability of FOBTs in bookmakers. These individuals have little to personally gain from such assertions and their views should be of interest to Government given their experience.

Session Five - The Policy and Regulatory Landscape

In its fifth session, the inquiry heard from:

- **Tracey Crouch MP, DCMS Minister with responsibility for gambling**
- **Sarah Harrison MBE, Chief Executive of the Gambling Commission**

Tracey Crouch, the Minister responsible for gambling in the Department for Culture Media and Sport noted that she welcomed the opportunity to address the group. She said that the Group's inquiry was extremely valuable and that she was pleased that it had been set up.

The Minister underlined to us that she was only able to give limited evidence to the inquiry due to the review of machine stakes and prizes that was currently underway and that she did not want to prejudge the Government's Review³⁴.

Ms. Crouch has previously expressed her concerns about FOBTs and explained that she was on record in the media as wanting to hold a review into the machines. The Department is now in the process of reviewing the evidence which has been submitted to it. This APPG has sent the Department its own interim findings and evidence to inform that review³⁵.

As noted above, last year the Government introduced new regulations requiring players wanting to gamble more than £50 on a FOBT to open an account. The Minister said that the review of these regulations indicated that players were more in control than they were previously. Further, the Minister noted that at present, only around 2% of players were playing at £50 or over. The recently announced Government review does include social responsibility within its remit and will require machine data for the Department to be able to make an assessment of player behaviour.

The Minister noted further that the impact of FOBTs on the wider community was particularly concerning and that the Department would be assessing this aspect closely during the Call for Evidence.

When asked about the Borough of Newham's appeal for greater control of FOBTs, the Minister stated that she was not able to comment on Newham's call for stake reduction to £2. She said that she was very aware of the issue with local authorities and the issues that they have faced with clustering of bookmakers. She mentioned that her own constituency local authority that has piloted a self-exclusion scheme. She also noted that she is determined that the Government's Review would provide an opportunity to assess the impact of the

³⁴ [Department of Culture Media and Sport, Review of Gaming Machines and Social Responsibility Measures, 24 October 2016](#)

³⁵ The interim report from the FOBT APPG can be found at <http://www.fobt-appg.com/latest-news/>

machines and whether they should be located in a more appropriate environment.

Ms Crouch also noted that crime associated with FOBTs would be a key part of the Government's considerations as part of the Review.

The Minister said that she was 'surprised' that the bookmakers has declined to appear before the inquiry and that she saw it as a missed opportunity for them. She noted that she meets with the bookmakers along with other stakeholders, as do members of her Department, and would be expecting them to make submissions to the Call for Evidence.

In addition to this oral evidence, the Department for Culture Media and Sport also submitted written evidence to the Group. This helpfully provided an overview of the existing legislative and regulatory framework for FOBTs along with a reminder of the initiatives which have been taken by the Government, regulator and industry to minimise the risk of gambling related harm. We are grateful to the Government for this useful material.

The Chief Executive of the Gambling Commission, Sarah Harrison noted that she would also be limited in what she would be able to say to the Group due to the ongoing Government Review of Gaming Machines.

She said that the Commission was working hard to assist the Government and preparing data and information for the Review. She also noted that the Commission is dedicated to addressing all forms of harm from gambling, not just B2 machines, right across the gambling sector.

Ms. Harrison reported that the Gambling Commission had been vocal on their views of FOBTs and the impact that they have as a hard form of gambling. She noted that the Gambling Commission acts as an adviser to Government as the regulator for compliance, thus had been instrumental in the £50 regulation and would be working with Government on the review.

When asked by the FOBT APPG Committee why the Gambling Commission had been 'slow off the mark to address the issues associated with FOBTs', Ms. Harrison responded by stating that she had taken the position at the Gambling Commission just over a year ago and since then had strengthened the requirements of social responsibility, specifically on the mitigation of harm, increasing player control, and strengthening licencing conditions along with self-exclusion.

Self-exclusion from bookmakers is a system whereby individuals can choose to exclude themselves from bookmakers' premises. When asked about the success of self-exclusion, as previous witnesses had expressed doubt about its effectiveness in terms of dealing with problematic gambling behaviour in bookmakers, Ms. Harrison said that this measure was still in the early stages of implementation.

She said that the Gambling Commission was assessing a huge amount of machine data as part of the submission that will be made to Government Review.

When asked about the staffing levels in bookmakers she said that the Gambling Commission works as a regulator for gambling and not employment, but if there was a reason for the Commission to get involved for the purposes of providing a crime-free gaming environment, then it would. She said it was vital that staff felt supported, confident in their work and able to perform their duties in a safe environment.

In addition, Ms. Harrison was concerned with regard to the anecdotal evidence that members of the Group had received from members of the public. Given that the evidence detailed potential licence breaches, Ms. Harrison asked for the Group to pass evidence on to the Commission.

Ms. Harrison defended the regulator in terms of its handling of FOBTs, the new board of the Gambling Commission she said, was dedicated to focussing on consumers and “will encourage the strategy going forward”. When asked about the efficacy of account-based play and the potential for this to be used as a further marketing tool by bookmakers to access and contact high stakes high frequency player, Ms. Harrison said the Gambling Commission were working with the Competition and Markets Authority and other authorities to ensure non-exploitative account based play. Further, she noted the importance of account based play for testing and utilising player data and how these measures interact with machines and social responsibility interventions.

In addition to this oral evidence, the Gambling Commission also sent in a written submission to the inquiry providing a summary of the existing public policy approach which underpins the regulation of gambling in the UK. They also ‘flagged’ some key features of the gambling market and “challenges and progress being made in ensuring it remains safe and fair for all”. We are grateful to the Commission for this material.

Key findings from this session

- The Inquiry would like to thank the Minister and Gambling Commission for their oral and written contributions to the inquiry. We await the outcome of the Government’s Call for Evidence with interest and look forward to actively engaging with it.
- The Group urges the Gambling Commission to take an active role in advising the Government to fully regulate FOBTs and to look into accusations of any malpractice by bookmakers or gambling premises more widely.
- Given previous advice to the Government that the stake on FOBTs should be reduced on a “precautionary basis”, the Commission should

again urge the Government to reduce the stake on a precautionary basis, particularly given the evidence that this Group has gathered.

- Evidence that has been passed to the Commission from members of the Group highlights breaches of licence terms. Given the Commission's role and principles of regulation, the Group looks forward to receiving feedback on any action taken by the Commission.
- The Inquiry notes the Minister and Gambling Commission's 'surprise' that the bookmakers declined to appear before the group and welcomes their ongoing support for the Group's work.
- The Inquiry urges the Government to look at the effectiveness of bookmaker self-exclusion schemes and the use of data collected through account based play and the access to individuals' playing behaviour this affords, by bookmakers, to further market products to customers.

Session Six – The Research Agenda

The sixth session of the inquiry began looking at the FOBT research agenda and also heard from the Responsible Gambling Strategy Board. Witnesses were:

- **Kate Lampard , Chair, Gamble Aware**
- **Marc Etches, Chief Executive, Gamble Aware**
- **Sir Christopher Kelly, Chair, Responsible Gambling Strategy Board**

The Responsible Gambling Trust (RGT) now Gamble Aware is “the leading charity in Great Britain committed to minimising gambling-related harm”. As an independent national charity funded by donations from the gambling industry, Gamble Aware funds education, prevention and treatment services and commissions research to broaden public understanding of gambling-related harm. The aim they state “is to stop people getting into problems with their gambling, and ensure that those that do develop problems receive fast and effective treatment and support.”

Gamble Aware’s programme of treatment, education, harm prevention and research is guided by the National Responsible Gambling Strategy, which is defined by the independent Responsible Gambling Strategy Board (RGSB) and endorsed by the Gambling Commission. The RGSB, the Gambling Commission and Gamble Aware work together under the terms of an agreement in place since 2012. Ms. Lampard, the Chair of Gable Aware, began by highlighting that the issue of FOBTs was a complicated and multifaceted debate and that none of the Gamble Aware research had drawn any clear conclusions as to what should definitively be done. She noted that it was the responsibility of the policy makers in government and opposition to decide what the correct action was for the machines.

Marc Etches said that Gamble Aware had spent over £5 million in the last year developing treatment, education and research in the gambling industry, broadening services and expanding how the organisation helps those across the country. He also noted that Gamble Aware were working with homeless, young people, military and those most vulnerable. He highlighted that the research that has been commissioned by Gamble Aware during his tenure has been high quality, independent and in many fields, ground breaking.

In recent years, there has been speculation and negative public comment about the impartiality of Gamble Aware particularly given that a large proportion of their funding is derived from the gambling industry and the bookmakers themselves. A written evaluation submitted to the Group by Professor Linda Hancock from Deakin University in Melbourne and Shannon Hanrahan the Managing Director of a UK- based health consultancy “The Outcomes Group” suggested that research commissioned and undertaken by Gamble Aware / the RGT has serious flaws in both the approach and methodology. They noted:

“Disappointingly, the RGT research was a search for individually pitched interventions, rather than much needed policy change...the focus on blaming individuals who play these machines emphasises so called harm minimisation measures (like better consumer information on the odds of winning and return to player) which are ineffective in preventing harm. Such measures deflect attention from population protective measures, like reducing bet limits, aimed at protecting all players from these high intensity machines”.

It has also been suggested that the previous Chair of Gamble Aware was forced to leave the organisation earlier this year, due to overtly close links with the bookmaker industry³⁶.

When asked about this speculation and direct criticism that Gamble Aware were biased in their approach, Ms Lampard noted that there could be a perception that there was a lack of independence in the organisation given that its funding comes from the industry. However, she noted that the research strategy was determined by the RGSB and this was designed to ensure the work was fully independent.

She also explained that as a condition of gambling licenses there is no stipulated sum under the regulation of the Gambling Commission and thus “a contribution” could be small or substantial. She noted that Gamble Aware would like there to be a statutory contribution of 0.1% of gross gambling yield, which is less than other countries around the world. She noted that the problem at the moment was ensuring that all operators paid their contribution, currently only 80% do so.

In particular, many have queried why the RGT / Gamble Aware, as a leading gambling research body, has not looked specifically at the issue of stake reduction on FOBTs. Mr Etches responded that research that had been carried out had been carried out on the advice of RGSB. They also noted that researchers have advised caution on focusing on one element of play such as speed, return of play, type of game and the type of gambler. He said that the range of activities in the UK meant that there was a degree of care needed when assessing the singular issues.

When asked if Gamble Aware would now be commissioning research into stake reduction on FOBTs given the widespread call for this, Mr. Etches was non-committal but noted that on problem gamblers research, there was evidence of disproportionate levels of problem gambling above £28. He said that above £28, 44% of players were problem gamblers. However, he said due to the way the data was collected it is impossible to come to a definitive result as the research was not representative.

There was also a discussion of some newly published research on the limited impact of algorithms in helping to identify problem gambling, which are mentioned above.

³⁶ <https://www.theguardian.com/society/2016/jan/15/chair-of-leading-uk-gambling-charity-announces-retirement>

Mr. Etches noted that this was interesting research, which could distinguish between harmful and non-harmful play but warned that the use of algorithms in gambling related research risked focussing too much on data and not the wider social and health context.

The Group then spoke to Sir Christopher Kelly, the Chair of the Responsible Gambling Strategy Board (RGSB). RGSB was set up in late 2008 to advise the Gambling Commission and, in turn, DCMS on research, education and treatment programmes needed to support a national responsible gambling strategy and associated funding requirements.

Sir Christopher outlined to the Group that RGSB, with the Gambling Commission advised on evidenced based research carried out and funded by Gamble Aware, allowing the Gambling Commission to make recommendations to Government and policy makers. He said the latest manifestation was the National Gambling Strategy. In this strategy, launched earlier this year, the issue of B2 machines, Sir Christopher noted, was left open due to the impending review and due to the fact that it is a major issue which warranted further consideration.

When asked about why the RGSB had not commissioned research into the impact of stake reduction on FOBTs, Sir Christopher stated that the type of research required is difficult to undertake and that recent research by Professor Peter Collins had used simulations, but noted the difficulty in having accurate machine player behaviour on simulations.

He did note that the real evidence of stake reduction evidence was coming through now with the implementation of the £50 regulation. The data for patterns of play showed changes before and after the introduction of the regulation, including the increased number of bets at stakes of between £40-50. He said that the data needed further analysis on the time, spend, losses and behaviours of the player. Sir Christopher also speculated that should the stake be reduced to £2 it is possible that players will go online or to other forms of gambling. He was also critical of stake reduction alone achieving a reduction in harm and said that the assumption that the reduction in stake would lead to a reduction in gambling related harm "could be misconceived".

Sir Christopher said that RGSB was hoping that the precautionary principle will be utilised in future policy making and that "the lack of evidence has plagued decision making in the industry and stalled development".

He also noted that while the industry was doing more and had improved in its approach to protecting the young and vulnerable he did not think they were doing enough and there was a long way to go to develop social responsibility.

He also noted that it would be interesting to undertake further research into the effectiveness of either staff or machine interventions.

When asked about the precautionary principle and whether the Government should be acting on a precautionary basis and reduce the stake on a FOBT, Sir Christopher said that the precautionary principle was important. If starting from scratch then [RGSB] would not have allowed the stakes to have been so high.

Key findings

- The Group notes the accusations of bias which have previously been made towards the work of Gamble Aware or the RGT. As the leading body and a very important organisation with the task of commissioning gambling related research, the Group urges Gamble Aware to act with impartiality in its work and to take every step possible to ensure it is seen to be a truly impartial body. To support its independence, the Government should look sympathetically at the call for a statutory contribution of a fixed percentage of gross gambling yield from industry.
- Given the extent of the calls for stake reduction on FOBTs the Group urges Gamble Aware to consider undertaking research in this important area and was not convinced by their explanation as to why they had not.
- Equally, while the research commissioned by Gamble Aware will continue to inform and be informative in the development of Government policy and regulation of FOBTs, the Group urges the Government not to await ongoing research prior to moving to regulate the machines. The research basis should, of course, continue but the given the widespread evidence of harm it is imperative that the Government acts on a precautionary basis and reduce the stakes on a FOBT.
- The Group urges the Government to note that RGSB said that the precautionary principle was an important consideration and if starting from scratch then it would not have allowed the stakes on a FOBT to have been so high.
- More work should be undertaken into the effectiveness of Player Awareness Systems and, given that these systems are currently in their infancy and have not yet proven to be effective an effective measure in curbing problem gambling, the Group urges the bookmaker industry to do further work in this area.

Session Seven – The Academic Research Agenda

The final session of the inquiry heard from a number of leading academics who have researched into different aspects of the impact of FOBTs. Witnesses were:

- **Professor Peter Collins, University of Cape Town**
- **Dr Sean Cowlshaw, University of Bristol**
- **Dr Simon Dymond, Swansea University**
- **Professor Jim Orford, University of Birmingham**
- **Stephen Sharman, University of Lincoln**

Professor Peter Collins, former Professor of Public Policy Studies at the University of Salford, began by reporting on the research he had been carrying out over the last year to inform the Government on the likely effects of reducing the stake on FOBTs.³⁷ He said that through his research, he found that evidence on gambling related harm caused by FOBTs can be assembled and shows that the Government should substantially reduce the maximum stake to a figure closer to £10 in order to afford significant protection to a fairly small but not negligible number of vulnerable people who presently play FOBTs. He added that stake reduction will more than halve the exposure to large losses amongst those identified as vulnerable to becoming problem gamblers, as well as provide substantial protection, especially for young people who may play FOBTs in the future.

Professor Collins said he conducted the research following the Sustainable Communities Act Petition on stake reduction put forward by local authorities to the Government in 2015, to which the Government responded that there was insufficient evidence to support the view that stake reduction would reduce harm. He also added that the high stakes on FOBTs is the single feature that sets it apart from other gaming machines and that has been the machine that has generated the most public alarm as reported in the media.

He added that the methodology used in his research could be appropriately applied to all aspects of gambling to inform future regulation. His team took evidence from regular FOBT players, betting shop staff, problem gambling treatment professionals and the general public. They also conducted simulation FOBT playing on 58 FOBT players, each having two 20 minutes sessions – 17 of whom were tested as vulnerable. The first session was with a maximum stake of £50 in line with current regulation and the second was a maximum stake of £10. This allowed them to compare how vulnerable people played the machines when the stake was reduced.

³⁷ [Collins, Barr and Scott, Report on results of research into the likely effects of substantially reducing the maximum permitted stake of £100 per 20-second spin on category B2 electronic gambling machines in UK betting shops, November 2016](#)

He explained that all the sources of evidence used in the research overwhelmingly concluded that stakes of FOBTs should be substantially reduced in the interest of protecting the vulnerable. His team considered whether the benefit of additional protection for the vulnerable will be outweighed by the other principle, which is maximisation of consumer choice or consumer enjoyment. The report found this not to be the case as two-thirds of players never staked more than £10 and only seven per cent staked more than £30. He also added that 37 out of 58 regular players thought the stake should be substantially reduced to help the vulnerable, this included some players who would be prepared to play for higher stakes.

His research, he said, found that most people who played did not notice the difference in their enjoyment playing with a maximum stake of £10 instead of £50 – only a few said it diminished their enjoyment, whilst a couple said they found it less stressful and more enjoyable playing with a lower stake. Professor Collins also said that in order to disprove the theory that simulation was different from playing on a real B2 machine, they checked with the players and 97% of them reported that they had played on the simulation as they would on a real B2 machine in a betting shop and that the simulations were realistic.

Whilst the research could have been carried out on a wider group sample, he said, given the degree of convergence amongst the different group sample, the combined evidence from them is overwhelming enough.

Professor Collins argued strongly for a reduction in the stake on a FOBT and said that the onus of proof lies with those who argue that the reduction of the stake on B2 machines will not lead to a reduction of harm to produce research to that effect. He recommends that the Government reduce the stake now and revisit the issue in the following years pending any potential rebuttal.

He also mentioned that two-thirds of the electorate would like to see FOBTs banned outright.

Professor Jim Orford, from the University of Birmingham began by reiterating Professor Collins' point that the onus lies on research. He noted that there could not be one piece of research that would definitely prove the harm that FOBTs cause. He said the only definitive way to research this is through a longitudinal study over years, which would be expensive, and by the time the study is concluded the question would have changed and the Government would have also changed.

He said that the decision Parliamentarians have to make is the "weight of the evidence" available in the absence of absolute definite evidence. He argued that there are three sources of evidence which together suggest that FOBTs in their present form are an extremely dangerous form of gambling.

The first of the evidence is theoretical, which he likened to putting a known dangerous and addictive drug on the market but focus mainly on its non-addictive components.

The second factor is the variety on offer. B2 or B3 content can be played on a FOBT, players can bet on numbers or colours which could yield a big return. Players can win small or medium prizes and there is even a possibility of winning large prizes making the machines volatile. He adds FOBTs are not unique from every other form of gambling because of their high stake but the high stake is a key factor to making them volatile as it means that players can lose large amounts of money but are also drawn in by the possibility of winning large amounts of money, coupled with the occasional 'near misses'. This pattern forms a habit of playing that can be difficult to break out of. He adds that this can lead to the 'illusion of control' whereby players think that they have more control on the machine and how to win whereas the game is in fact random. This makes it even more dangerous.

He added that the third factor is the accessibility and availability. The fact that these "fast and furious high powered machines", which are volatile, giving the illusion of control, can be found on the high street makes them additionally dangerous. He also noted that if FOBTs were in casinos, although they would still be dangerous forms of gambling, they would not be as easily available to people in particular social demographic groups, who find it easy to access betting shops but not casinos.

He went on to further discuss the research evidence, particularly highlighting the 2010 British Gambling prevalence survey. In the survey, FOBTs came out as having the highest sample prevalence rate with 9% of participants scoring above the threshold for problem gambling – the highest of all the 14 types of gambling that was looked at. These problem gamblers were contributing close to a quarter of a billion pounds annually to the profits of FOBTs.

He moved on to talk about personal evidence, stating that he had seen a great deal of personal evidence as he runs a website called "Gambling Watch UK" which Professor Orford also submitted as written evidence to the Group. He had recently analysed the first 300 comments that had been posted on the website. He said that many of the comments were about FOBTs, with individuals talking about the amount of losses they have made on the machines. He said that he was intrigued by the psychology of the machines due to the amount of times FOBT users talked about the wins as the worst part of playing the machines as individuals are constantly 'haunted' by their previous wins – he argues that this is what is adding to the psychological impact.

He also pointed out that FOBT gamblers constantly mention the harm the machine is causing to their family, sharing feelings of guilt and shame which in turn leads to suicidal thoughts and feelings. He briefly mentioned an Australian piece of research which looks in to the harm problem gambling causes, particularly to children, which is described as the 'legacy harm'. This is the idea that children will be affected by their parents problem gambling for a long time to come, affecting their education, and their life chances.

He concluded by saying that there is a lot strong theoretical and research evidence to link FOBTs to causing harm to the vulnerable.

Dr Simon Dymond, from the University of Swansea, said his focus is much more specialised and academic in comparison with the discussion that had already taken place. He said his background is in behavioural psychology and behavioural science and he is particularly interested in the psychological features that make some of the games on FOBTs addictive. He said he had studied the 'near miss' effect which is common on slot machines – one of the popular games available on FOBTs. He defined the 'near miss' effect as when a losing outcome resembles, approximates or comes close to a win. He said that he found in his research that neuroscientifically that the brains of gamblers react differently to near misses than non-gamblers do, so there may be a unique sensitivity that gamblers experience whilst engaging in slot machine gambling. He went on to say when a gambler is confronted with a 'near miss' on a slot machine, there is a predictable change in their electrical activity in their brain called the 'feeter frequency', which is a small recorded 4 – 7 hertz frequency range in the brain. He added that the sense of 'almost winning' could sustain a period of problematic gambling, leading to greater addiction and debt.

Dr Dymond also said that he found from his research, that he could predict the way a gambler's brain would react to a near miss outcome by the extent to which they had gambled in the past. The more extensive their history is with gambling the more the reward circuitry is activated. He further said that, none of these findings were particularly surprising as the arrangement of near misses on a slot machine are intended to foster engagement, participation and continued betting. The schedules that operate on the slot machines are intended to make the behaviours very difficult to unlearn. A behaviour that is occasionally rewarded is more difficult to unlearn than a behaviour that is continuously rewarded.

He said that the combination of the 'near miss effect' with the schedules that operate on these machines is creating a neuro behavioural trap for people with a certain sensitivity or propensity to develop a gambling problem. In the current state of play, players will continue to lose as a function of the maximum stake available. He suspects that the stake size is relatively immune to this neurobehavioural effect, but the key difference would be that with a lower stake the gamblers will be losing less money.

Dr Stephen Sharman, from the University of Lincoln, began by saying he is an environmental psychologist, looking into gambling behaviours. He went on to talk about a construct called 'losses disguised as wins', which is highly salient to FOBTs, particularly slot machines and roulettes. This is when a gambler wins a small amount, which is less than the amount they originally staked, but when the flashing of the machines disguises the impact of their loss.

He further mentioned that during his work with the homeless population he found that they demonstrated higher levels of gambling than the general population, particularly on FOBTs. He linked this back to Professor Orford's point about the

accessibility to the machines. He also added that he is conducting research with Gordon Moody on this and the paper will be published in 2017.

He also told the Group an anecdote of a man whose marriage broke down as a result of gambling on FOBTs, who received £22,000 from the house sale, instantly lost £8,000 and then spent the rest within 2 weeks. He also cited another example of a man who started gambling in 1995 at the age of 30 but his gambling only got out of control in 2002 when FOBTs were introduced - within 18 months, he had lost his partner and spent most of 2005 in a mental institution, subsequently losing his own business of 20 years as a result of this problem. He added that when the man was gambling on other things like dog racing, it did not have a huge impact on him, it was only when he started gambling on FOBTs, that he lost control.

He concluded that in his research experience working with the treatment seeking population, FOBTs are never far away from those who gamble problematically, however other forms of gambling also have negative consequences. Although FOBTs are the focus of the APPG, it should not distract too much from wider issues within the sphere of gambling as a whole.

Dr Simon Cowlshaw, from the University of Bristol, began by introducing himself, noting that he had worked in the problem gambling field in the UK for over 3 years but had worked extensively in Australia beforehand, therefore he brings a more international perspective.

He went on to say that the UK has these hazardous machines (FOBTs) in a hazardous environment and there is need to look more generally at wider gaming machines. He added that discussing the impact of problem gambling underestimates the harm that it is causing. He compared this to alcohol dependence and harmful alcohol use. This is when individuals use excessive amounts of alcohol without necessarily becoming addicted to it but are already experiencing the negative effects of it. There is also another category of hazardous use, this is when people are drinking hazardous amounts of alcohol which is likely to have negative consequences but they have not experienced them as of yet.

He went on further to talk about problem gambling as alcohol dependence, including current research which misses the number of harmful gamblers who gamble at problematic levels and experience the negative consequences but are not addicted to gambling.

In conclusion, he said the he was puzzled that in the UK there is an incredibly small level of independent research. If Government were looking to make policies based of scientific evidence it needs to be funded by them. The UK gambling industry seems to have a very prominent role in funding research and have undue influence on research.

Key findings

- From the academics we have spoken to and also those who kindly submitted material to us, there seems to be a clear call for action from the Government to properly regulate FOBTs.
- We note Professor Collins' recent research into the impact of stake reduction and the potential for this to reduce an individual's vulnerability to large losses while not necessarily undermining player enjoyment.
- We also note Professor Orford and our other contributors comments that the balance of evidence shows that there is a strong case for a reduction in FOBT stakes at the very least on a precautionary basis.
- While no evidence is irrefutable and finding definitive research to prove the impact of stake reduction may be very difficult to achieve, we urge the Government to consider the weight of this analysis from the academic community in considering further regulation of stake reduction.
- There is a need for further research into problem gambling and FOBTs and the Government should be pro-active in ensuring this research is undertaken

Conclusions

The Fixed Odds Betting Terminals All Party Parliamentary Group has undertaken an extensive inquiry, lasting six months, into the impact of FOBTs on our communities and society. This was undertaken out of concern from across all political parties and in both Houses of Parliament that not enough action is being taken by the Government to regulate FOBTs and mitigate the evident harms that are being caused.

We have held seven evidence sessions and heard from stakeholders on all sides of this debate. We were disappointed that the bookmakers declined to participate and fear this is a reflection of their denial of the problems associated with FOBTs and a reluctance on their part to speak to policy makers about appropriate regulation.

As a group we feel it is incumbent upon the gambling industry as a whole to ensure it acts in a socially responsible manner. We are not against gambling or seeking to curtail individuals' enjoyment. We are seeking to ensure that consumers, the vulnerable and our wider communities are properly protected and that regulation is adequate. It is also important to ensure the safety of workers and those who are responsible for the supervision of players in bookmakers. This imperative has been very sadly highlighted in the tragic attacks on bookmakers' staff and the reports of individuals who have committed suicide as a direct result of using FOBTs. There are also of course many wider negative social impacts that have been reported to us and which are listed above.

The concerns associated with FOBTs were first set out ahead of and during the passage of the Gambling Act in 2005. At that time the Government set out a number of principles which were:

- (a) preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime,
- (b) ensuring that gambling is conducted in a fair and open way, and
- (c) protecting children and other vulnerable persons from being harmed or exploited by gambling.

It is the Group's opinion that FOBTs fall outside of these principles and that this must be addressed.

The wealth of evidence now accumulated and the many anecdotal and personal stories of harm mean that it is now time for the Government to act decisively to properly regulate FOBTs.

Below we have set out our conclusions from our inquiry. We are formally submitting our final report to the Government. We look forward to hearing the Government's response.

In addition, to our report, we are also submitting to the Government the full collection of submissions which have been sent to us, where the authors have authorised us to do so.

We look forward to actively engaging with the Government on the regulation of gaming machines and in particular Fixed Odds Betting Terminals.

Key conclusions:

- Through the process of gathering extensive evidence and speaking to many of the major stakeholders involved in the FOBT debate, collectively we find that, from the evidence presented to us, the Government now has a prima facie case for significantly reducing the £100 stake that can be wagered on a Fixed Odds Betting Terminal. The Group sees a strong case for the stake being set at £2. This call is supported many Members of Parliament from all political parties and in both Houses of Parliament. It is also, the evidence suggests, supported by a significant majority of the public.
- At the very least the stake should be reduced on a FOBT on a precautionary basis and the precautionary principle should be applied until sufficient evidence is presented to the Government that the high stakes on these machines do not cause harm.
- In addition to reviewing the stake level, the Government should also consider reducing the speed of spin on a FOBT in order to reduce the potential for harm to be caused and also review the number of FOBTs permitted in an individual bookmaker.
- The Government should address localism concerns and calls for greater controls over FOBTs at the local level. Powers should be given to local authorities to prevent the clustering of betting shops.
- The Group has heard many reports of the increased levels of crime and disorder resulting from the presence of FOBTs in bookmakers. While this suggests the staking level and number of FOBTs should be addressed by the Government, we also urge them to review the levels of staffing in bookmakers to ensure appropriate protection and supervision of players and the safety of bookmaker staff.
- In considering the impact of FOBTs, it is critical that the Government considers not just the impact on 'problem gambling' but wider gambling related harm caused by FOBT machines and the cumulative impact on families and communities that these machines can have.

- 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.
- There is evidence that there would not be a severe economic impact or extensive bookmaker closures if the number of FOBTs or the stake on a FOBT were reduced. Instead money spent on FOBTs could be spent elsewhere in the economy in more labour intensive areas and the Government should do further economic analysis of this as part of its wider assessments of optimising economic productivity. Moreover, economic analysis from the organisation NERA suggests that if the stake was reduced to £20 there would be no impact on the number of betting shops and at £10 the number affected would be relatively low.

Additional findings

- There are widespread calls for a substantial stake reduction with many feeling that £2 would be an appropriate level.
- The evidence suggests FOBTs are having a clear negative impact on the young and vulnerable, driving problem gambling, addictive behaviour and impacting on families and communities more widely. The Group has heard many tragic stories to this effect.
- In considering the impact of FOBTs it is critical that the Government considers not just the impact on 'problem gambling' but the wider gambling related harm caused by the machines, including the impact on mental health and the cumulative impact on families and communities that these machines can have.
- There have been questions around the legality of FOBTs in Northern Ireland. We urge the Government to clarify this position.
- The dangers of using a debit card on FOBTs are evident and the Government should review the use of these as well as the 'repeat' function and the addictive design and play on a FOBT.
- The Group is concerned about the ability to 'stake-up' from B3 content to high stakes B2 content on a FOBT machine and the limited provisions and protections that are in place to alert players that they are moving from a lower staking softer form of gambling to a far higher staking game.
- FOBTs are having wide-ranging impacts on local communities and there are clear impacts on people's mental health. It is critical for the Government to consider the impact on health and on health service provision as a result of the impact of FOBTs.

- Since the 2005 Gambling Act, local authorities have expressed concern about their lack of powers in relation to halting the development of new bookmakers and therefore the spread of additional FOBTs. Despite assurances from the Government that local areas do have sufficient powers in place, the Government should urgently assess the 'aim to permit' powers which local authorities have in place and carefully consider local authority concerns.
- The Government should address localism concerns and calls for greater controls over FOBTs at the local level. Powers should be given to prevent the clustering of betting shops.
- Scotland and Wales are both set to have powers to reduce to zero the number of FOBTs in new betting shops. We recommend that governments in Westminster, Edinburgh and Cardiff all give serious consideration to devolving sufficient powers to address FOBTs and the associated issues of shop clustering, in both existing and new premises, to the relevant local authority.
- While such a move could limit the number of new betting shops or FOBTs, the Government must urgently address the proliferation and clustering of betting shops, particularly in more deprived areas. Reducing the stake on a FOBT and therefore the profitability of FOBT machines is one way to directly address the proliferation of bookmakers and FOBTs in local areas.
- The Group has heard many reports of the increased levels of crime resulting from the presence of FOBTs in bookmakers. While this suggests the staking level and number of FOBTs should be addressed by the Government, we also urge them to review the levels of staffing in bookmakers to ensure appropriate protection and supervision of players and the safety of bookmaker staff.
- Newham council has succeeded in using Cumulative Impact Assessments to curb the development of new bookmakers. Other local authorities may want to apply this measure in curbing the expansion of bookmakers and FOBTs. While being a helpful mechanism to stop the expansion of future bookmakers, this would not, of course, provide a mechanism to deal with current bookmaker premises and clustering.
- Many church groups share the public and political concerns about FOBTs.
- Bookmakers are now open materially longer hours and there is extensive anecdotal and research evidence showing that larger losses and more problematic patterns of play tend to occur later in the evening. The supervision levels and opening hours of bookmakers should be considered in the regulation of FOBTs.

- There are a disproportionate number of calls to GamCare relating to FOBTs suggesting that they are a contributing factor to gambling related harm.
- While elements of the industry clearly have commercial interests in reducing the stake and attractiveness of FOBTs there seems to be a widely held sense from the broader gambling industry (beyond the bookmakers) that FOBTs are doing great reputational damage to the gambling sector.
- There is also a strong sense of a lack of level playing field for others in the industry since bookmakers are able to offer higher stakes machines, which fall outside of the usual pyramid of gambling regulation which was supported by Sir Alan Budd in his recommendations ahead of the 2005 Gambling Act.
- The casino industry noted the materially higher levels of supervision and corresponding lower levels of crime found in a casinos compared with bookmakers. This was reiterated by former bookmaker employees.
- It is important that policy makers continue to appreciate the distinction between the hard gambling on FOBTs which is undertaken in betting shops with low regulation and very low levels of supervision and that which is undertaken in casinos where there are very high levels of supervision and player protection.
- We noted with interest Sir Alan Budd's comments that FOBTs were not in the spirit of his original report prepared ahead of the 2005 Gambling Act and that the Budd Review "agreed that betting shops should have gaming machines but not of this type." He also felt that local authorities should have a larger role in licensing premises.
- Former senior figures in the bookmaker industry have voiced their concerns about the suitability of FOBTs in bookmakers. These individuals have little to personally gain from such assertions and their views should be of interest to Government given their experience.
- The Inquiry would like to thank the Minister and the Gambling Commission for their oral and written contributions to the inquiry. We await the outcome of the Government's Call for Evidence with interest and look forward to actively engaging with it.
- The Committee urges the Gambling Commission to take an active role in advising the Government to fully regulate FOBTs and to look into an accusations of any mal practice by bookmakers of gambling premises more widely.

- The Inquiry notes the Minister and Gambling Commission's 'surprise' that the bookmakers declined to appear before the group and welcomes their ongoing support for the Group's work.
- The Inquiry urges the Government to look at the effectiveness of bookmaker self-exclusion schemes and the use of data collected through account based play and the access to individuals' playing behaviour this affords, by bookmakers, to further market products to customers.
- The Group notes the accusations of bias which have previously been made towards the work of Gamble Aware or the RGT. As the leading body and a very important organisation with the task of commissioning gambling related research, the Group urges Gamble Aware to act with impartiality in its work and to take every step possible to ensure it is seen to be a truly impartial body. To support its independence, the Government should look sympathetically at the call for a statutory contribution of a fixed percentage of gross gambling yield from industry.
- Given the extent of the calls for stake reduction on FOBTs the group urges Gamble Aware to consider undertaking research in this important area and was not convinced by their explanation as to why they had not.
- Equally, while the research commissioned by Gamble Aware will continue to inform and be informative in the development of Government policy and regulation of FOBTs, the Group urges the Government not to await ongoing research prior to moving to regulate the machines. The research basis should, of course, continue but the given the widespread evidence of harm it is imperative that the Government acts on a precautionary basis and reduce the stakes on a FOBT.
- The Group urges the Government to note that RGSB said that the precautionary principle was important to be considered and if starting from scratch then it would not allow the stakes on a FOBT to be so high.
- More work should be undertaken into the effectiveness of PAS systems and , given that these systems are currently in their infancy and are not proven to be effective, they are not yet seen to be an effective measure in curbing problem gambling. The Group urges the bookmaker industry to do further work in this area.
- From the academics we have spoken to and also those who kindly submitted material to us, there seems to be a clear call for action from the Government to properly regulate FOBTs.
- We note Professor Collins' recent research into the impact of stake reduction and the potential for this to reduce an individual's vulnerability to large losses while not necessarily undermining player enjoyment.

- We also note Professor Orford and our other contributors comments that the balance of evidence shows that there is a strong case for a reduction in FOBT stakes at the very least on a precautionary basis.
- While no evidence is irrefutable and finding definitive research to prove the impact of stake reduction may be very difficult to achieve, we urge the Government to consider the weight of this analysis from the academic community in considering further regulation of stake reduction.
- There is a need for further research into problem gambling and FOBTs and the Government should be pro-active in ensuring this research is undertaken

Annex A- Background information on the Fixed Odds Betting Terminals All Party Parliamentary Group

About the group

The Fixed Odds Betting Terminals (FOBT) All Party Parliamentary Group has been created to provide a forum for discussion and further investigation into the impact of FOBTs in our communities. The group's statement of purpose is:

“To address the issues associated with fixed odds betting terminals”

In pursuit of this purpose, The Group has launched an inquiry “*Fixed Odds Betting Terminals – Assessing the Impact*”.

In a series of hearings, the inquiry will be taking oral evidence from the range of stakeholders in the FOBT debate from gambling addiction experts and FOBT users, to regulators, bookmaker Chief Executives and their representatives.

The inquiry would welcome written submissions from interested parties by 31 August 2016.

Using this evidence the group will publish a report setting out their findings early in 2017.

Committee

Chair- Carolyn Harris MP

Vice Chair- David Lammy MP

Vice Chair- Stuart McDonald MP

Treasurer- Stephen Timms MP

Secretary- Sir Peter Bottomley MP

Contact

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Annex B- List of APPG Members

1. Carolyn Harris MP: Chair	Labour
2. David Lammy MP: Vice-Chair	Labour
3. Stuart McDonald MP: Vice-Chair	SNP
4. Stephen Timms MP: Treasurer	Labour
5. Sir Peter Bottomley MP: Secretary	Conservative
6. Ian Paisley MP	DUP
7. Louise Haigh MP	Labour
8. Liz McInnes MP	Labour
9. Gerald Jones MP	Labour
10. Margaret Ferrier MP	SNP
11. Ronnie Cowan MP	SNP
12. Jeff Smith MP	Labour
13. Graham Jones MP	Labour
14. Jim Shannon MP	DUP
15. Steve Rotherham MP	Labour
16. Fiona Bruce MP	Conservative
17. Wayne David MP	Labour
18. David Burrowes MP	Conservative
19. Ian Blackford MP	SNP
20. Charles Walker MP	Conservative
21. Natalie McGarry MP	Independent
22. Kelvin Hopkins MP	Labour
23. Sylvia Hermon MP	UUP
24. Lisa Cameron MP	SNP
25. Jason McCartney MP	Conservative
26. Jim McMahan MP	Labour
27. Ruth Cadbury MP	Labour
28. Lord Timothy Clement-Jones	Liberal Democrat
29. Lord Don Foster	Liberal Democrat
30. The Rt Rev. Bishop of St Albans Adam Smith	N/A

Annex C - List of Witnesses and Oral Evidence Sessions of the Inquiry

Wednesday 6 July 2016, 10am

- **Assessing the Impact people who have gambled**
 - Previous FOBT Gamblers
 - Derek Webb, The Campaign for Fairer Gambling

Wednesday 14th September, 2pm

- **Assessing the Impact on Local Communities**
 - Sir Robin Wales, Newham Council
 - Councillor Anita Lower, Local Government Association

Thursday 13th October 2016, 10.30am

- **Assessing the Impact on the Vulnerable**
 - Martin Kettle, Church of England
 - Dan Boucher, CARE
 - Helena Chambers, Quaker Action
 - Dirk Hanson, GamCare

Tuesday 1st November, 10.30am

- **Assessing the Impact on the Wider Gambling Industry**
 - John White, Chief Executive, Bacta
 - Jason Frost, President, Bacta
 - Tracey Damestani, Chief Executive of National Casino Forum
 - Dennis Dowling, Member, National Casino Forum
 - Simon Thomas, CEO, Hippodrome Casino
 - Fintan Drury, Former Chairman, Paddy Power

Wednesday 16th November, 2.30pm

- **Assessing the Impact – The Policy and Regulatory Landscape**
 - Tracey Crouch, Minister for Sport Tourism and Heritage, Department of Culture Media and Sport
 - Sarah Harrison, Chief Executive, Gambling Commission

Tuesday 29th November, 10am

- **Assessing the Impact – The Research Agenda**
 - Kate Lampard, Chair, Gamble Aware
 - Marc Etches, Chief Executive, Gamble Aware
 - Sir Christopher Kelly, Chair, Responsible Gambling Strategy Board
- **Assessing the Impact – Experience from working with Bookmakers**

- Bill Bennett
- Barry Phillips

Tuesday 6th December, 10.30am

- **Assessing the Impact – Academic Research**
 - Stephen Sharman – University of Lincoln
 - Dr Sean Cowlshaw – University of Bristol
 - Dr Simon Dymond – Swansea University
 - Prof Jim Orford – University of Birmingham
 - Peter Collins – University of Cape Town

Annex D - List of Submissions to the Inquiry
FOBT APPG – Submissions

1. Anonymous
2. BACTA
3. Barry Phillip and Bill Bennett
4. Beat the Odds (Report on the 2nd Welsh National Conference on Excessive Gambling Wales)
5. Campaign for Fairer Gambling and The Outcomes Group
6. CARE
7. COSLA
8. Department for Culture Media and Sport
9. Derek Webb
10. Gambling Commission
11. GRASP
12. Haringey Council
13. Hippodrome Casino
14. Hounslow Council
15. Jim Offord
16. Jim Rogers – University of Lincoln
17. Landman Economics
18. Leicester Council
19. Local Government Association
20. National Casino Forum
21. Newham Council
22. Novomatic
23. Professor Peter Collins' Report
24. Responsible Gambling Trust
25. Shamil Gillani
26. Tony Franklin

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Fixed Odds Betting Terminals
All Party Parliamentary Group