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**SUBMISSION OF QUAKER ACTION ON ALCOHOL AND DRUGS (QAAD): CONSULTATION ON SOCIETY LOTTERY REFORM, DEPARTMENT OF DIGITAL, CULTURE, MEDIA AND SPORT**

1. **INTRODUCTION**

Quaker Action on Alcohol and Drugs as well as being an independent charity is also a Recognised Body of the Religious Society of Friends (Quakers). It is managed by a Committee of Trustees who are appointed and conduct their business in accordance with Quaker practice, as observed by the Religious Society of Friends. We do not speak on behalf of Quakers as a whole, but our contribution is based on our Quaker principles and specific concern with addictive and problem behaviour.

The Religious Society of Friends has an in principle opposition to ‘*the promotion of a large-scale lottery by government’*, which it registered in a series of Public Statements when the National Lottery was launched in 1994 and re-affirmed by a fresh Statement in 2004.  The original Statements outlined the Quaker values on which this opposition to was based:

*‘We are disturbed by the accelerating substitution of National Lottery funds for planned public funding of social projects. Quakers will continue to press the government to fulfil its responsibilities for social and economic welfare through normal public institutions’.*

1. **THE CONSULTATION**

We are responding to this consultation due to our serious concerns about the normalisation of gambling in today’s society; the increasing use of Society Lottery returns to replace funding for social projects previously accessed from central and local government; and the incremental blurring of distinctions between ‘soft’ and ‘hard’ gambling products.

Society Lotteries are now well-established as a key vehicle for charity fundraising and we recognise that they have raised significant sums for good causes. Gambling Commission statistics show that sales have grown ‘well over’ 100% in the past 5 years, with tickets totalling £531m sold in the year ending September 2016. Of this, £231.8m (44%) was returned to good causes and the balance distributed between costs and prizes.[[1]](#footnote-2) However, together with the National Lottery, they are a form of gambling and therefore present potential risks for vulnerable individuals, their families and communities.

* **Risks**

Society Lotteries are viewed by some as a ‘soft’ form of gambling and evidence confirms that the National Lottery and Society Lotteries represent a low proportion of problem gambling[[2]](#footnote-3). However, problem and at-risk gamblers typically bet using a range of formats to sustain their addiction and to chase losses. The low levels of problematic gambling directly attributed to Society Lotteries and the National Lottery therefore only apply to individuals who do not also use other higher risk gambling products.

We note the trend for larger Society Lotteries developing increasingly sophisticated and ‘harder’ gambling products which pose a higher risk of gambling addiction.  The fact that Society Lotteries tickets can be purchased by 16-year olds; the availability of Society Lotteries online, and via scratchcards and phone apps; and the offer of substantial prizes by the larger Society Lotteries are all causes for serious concern. Online Society Lotteries are available 24/7, and can now offer instant wins and rapid re-play – all factors widely acknowledged as contributing to problem gambling, particularly when combined with other vulnerability factors such as substance misuse and mental ill health.

The pressure to adopt higher risk forms of gambling in order to maximise funds may be understandable, but given that it carries some increase of risk we believe it should be resisted. In 2014, the Gambling Commission pinpointed the dilemma facing Society Lotteries when balancing credibility with the need to compete in the gambling market[[3]](#footnote-4):

*‘Online, in a competitive, growing instants market, it is not clear how funds for good causes can both maintain public legitimacy as a soft product and compete successfully for market share without competing more aggressively with harder gambling products.’*

One example is the recent introduction of ‘five-digit short codes’ to enable charities to expand lotteries and raffles to [mobile](https://fundraising.co.uk/tag/mobile/) phones and devices. At a conference held by the Association for Interactive Media & Micropayments in September 2017, Roger Craven from RSM2000 Ltd[[4]](#footnote-5) stated:

*‘We practically all look at Facebook and Twitter on mobile devices. Society Lottery short codes allow charities to capitalise on the sense of urgency created by rollovers, bonus plays and time limited opportunities to trigger additional plays from existing members and to acquire new players using posters, digital, TV and radio channels.’*

In response, the Gambling Commission issued compliance advice[[5]](#footnote-6) for Society Lotteries outlining issues for them to consider, including: ‘*how the social responsibility requirements such as age verification, customer interaction and self-exclusion [will] be met given that these transactions could be anonymous apart from a telephone number.’* The Phone-paid Services Authority (PSA) will introduce special conditions from 1st October 2018 to address risks and potential harm to vulnerable people related to this form of gambling[[6]](#footnote-7). We welcome these measures, but suggest that the very need to issue them highlights the risks such products represent, particularly to vulnerable and young people, and raises serious questions about the direction in which the sector is moving.

* **Individual and annual draw limits**

In response to the specific questions included in the consultation, we do not offer a view regarding the relative advantages and risks of changing the current individual and annual draw limits. The consultation confirms that only a small minority of large Society Lotteries are close to meeting (or exceeding) current limits at the moment, the majority attracting a much lower level of sales. In view of this, we question whether there is a credible argument for change.

If implemented, we believe that it is likely that the government’s recommendations regarding increased limits of Society Lotteries’ sales, and its stated aim to support the further expansion of the Society Lottery sector, would promote the increasing commercialisation of what is termed the ‘giving landscape’ in our society. The Gambling Commission expressed its own concerns about this trend in its advice on the lottery sectors in 2014[[7]](#footnote-8):

*‘In recent years the large Society Lottery sector has become, arguably, increasingly professionalised and commercial in feel...Although return to good causes from society lotteries have increased over time, their share of the overall proceeds (sales) has declined in percentage terms, while expenses have increased. In other words there appears to be a move to spending more as a proportion of proceeds on marketing and other expenses to raise more absolutely but not proportionately for good causes.’(Section 23)*

A related issue is the increasing use of External Lottery Managers (ELMs) by large Society Lotteries for their marketing and related expertise, which raised 79% of their sales in 2016-17[[8]](#footnote-9). ELMs

have a commercial interest in promoting revenues, and therefore gambling, in similar ways to those used by mainstream gambling companies. Their fees are negotiated with individual clients i.e. are not regulated. The Department of Culture, Media and Sport’s 2015 report on Social Lotteries[[9]](#footnote-10) quoted concerns raised by members of the Charity Law Association regarding these negotiations:

*‘Although in theory societies should have the capacity and confidence to negotiate a significantly more advantageous arrangement with ELMs ....ELMs often have the upper hand in negotiations and are able to drive down the proportion of lottery proceeds which go to the good causes so that it is at or close to the Statutory Minimum.’*

As a bare minimum, and in the interest of transparency, we would like to see data on ELM fees being made publically available, to enable the public to make more informed choices about which Society Lotteries they wish to use.

* **Prizes**

Whilst maintaining our in principle objection to lotteries per se, we support a reduction in the maximum prize level in order to help reduce Society Lotteries’ attractiveness to problem and at-risk gamblers; those motivated by monetary gain; vulnerable adults; and young people.

Charities have expressed concern that Society Lottery sales will fall significantly if prize levels were to be reduced. However, the consultation states (Section 2.2) that donation is a key motivator for many people to take part, and that a reduction in prize levels may result in a higher level of return for good causes:

*‘Society lotteries are cause driven, rather than prize driven, and as such a reduction [in prize limits] is likely to ... ensure that a high proportion of proceeds goes to support good causes, rather than being returned to players.’*

In addition, the Gambling Commission has suggested that some smaller charities have seen no reduction in donation income when they have reduced prize levels[[10]](#footnote-11):

*‘Some societies have demonstrated that changes to their schemes to reduce the maximum prize awarded have had no detrimental impact on the levels of ticket sales.’*

It is perhaps interesting to note that Comic Relief’s Red Nose Day telethon raised £71m in 2017, demonstrating that the public in the UK remain strongly motivated to support traditional charitable fundraising.

It is also open to question whether there is as clear a distinction between the ‘*aspirational, life changing’* prizes offered by the National Lottery and those offered by Society Lotteries as the consultation suggests. For someone on a low income and/or in significant debt, a relatively modest prize of several thousand pounds currently offered by the larger Society Lotteries would almost certainly make a substantial difference. In these circumstances, it is not difficult to imagine someone spending money they are cannot afford on tickets or scratchcards in the hope of resolving their financial problems.

**The National Lottery**

The consultation stresses the need to protect the ‘special status’ of the National Lottery and the government’s concern that the largest (umbrella) Society Lotteries may compete directly with the National Lottery if limits are removed or raised significantly is obviously a priority. It is possible, perhaps, that the 12% Lottery Duty paid by Camelot (but not by Society Lotteries) to HM Treasury may be a factor in this concern.

In its recent report on the future of the National Lottery[[11]](#footnote-12), the Public Accounts Committee (PAC) highlighted that amounts raised for good causes fell by 15% between April 2016-17. Furthermore, whilst the total increased by 2% between 2009-10 and 2016-17, Camelot’s profits increased by 122% (from £39m to £71m) over the same period. The PAC urged Camelot to do more to support gambling addiction education, warning that the low stakes for the lottery and scratchcards were appealing for many teenagers, and could herald the beginning of problem [gambling](https://www.theguardian.com/society/gambling). PAC Chair, Meg Hillier MP, commented: ‘*Raising money for good causes is one of the founding principles of the National Lottery but this objective is under threat.’*

**Local Authority Lotteries**

In August 2017, the Gambling Commission confirmed that 17 Local Authorities were running their own Lotteries and that it had received applications from a further ten (with more expected)[[12]](#footnote-13). Proceeds can be spent on ‘*anything for which [they] have the power to incur expenditure, for example local community projects, arts centres or parks and leisure facilities.’[[13]](#footnote-14)*

We find this development deeply worrying, but perhaps not surprising given the significant cuts to local authority funding in recent years and the consequent impact on local service providers and community projects. Using a form of gambling to bridge funding gaps in this way is, at best, extremely disappointing. We reiterate the Religious Society of Friends’ objection to the substitution of lottery funds for planned public funding of social projects, particularly in the light of the DCMS’ and Gambling Commission’s wider work and stated objectives for tackling gambling-related harm and the need to protect vulnerable adults and young people.

1. Review of Society Lotteries advice, Gambling Commission, October 2017 [↑](#footnote-ref-2)
2. # Gambling Behaviour in Great Britain in 2015, NatCen, 2017

   [↑](#footnote-ref-3)
3. Market advice on the lottery sectors, Gambling Commission, 2014 [71] [↑](#footnote-ref-4)
4. RSM 2000 Ltd is an information technology consultancy which provides businesses and organisations with electronic payment and direct debit services. [↑](#footnote-ref-5)
5. # Using SMS short codes for lottery promotion, Gambling Commission <https://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/Sector-specific-compliance/Lotteries/Using-SMS-short-codes-for-lottery-promotion.aspx>

   [↑](#footnote-ref-6)
6. Statement on introducing Special conditions for Society Lottery phone-paid services, Phone Paid Services Authority, July 2018 [↑](#footnote-ref-7)
7. Gambling Commission (n 3) [↑](#footnote-ref-8)
8. Industry statistics, Gambling Commission, May 2018 [↑](#footnote-ref-9)
9. Fifth Report, Social Lotteries, Department of Culture, Media and Sport, March 2015 [↑](#footnote-ref-10)
10. Gambling Commission (n 1) [8.5] [↑](#footnote-ref-11)
11. The Future of the National Lottery, House of Commons Committee of Public Accounts, 5 April 2018 [↑](#footnote-ref-12)
12. Review of Society Lotteries advice, Gambling Commission, October 2017 [↑](#footnote-ref-13)
13. <https://www.gamblingcommission.gov.uk/for-licensing-authorities/LA-lotteries.aspx> [↑](#footnote-ref-14)