



Gambling Related Harm APPG

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Date: Tuesday 3rd November 2020

Time: 2:30pm

Location: Virtual

Chair: Carolyn Harris MP

Minutes taken by: Chloe Sercombe, Interel UK

Members Present

- Carolyn Harris MP
- The Rt Hon. the Lord Foster of Bath
- The Rt Hon. Sir Ian Duncan Smith MP
- Ronnie Cowan MP
- Gerald Jones MP
- Richard Holden MP
- Sammy Wilson MP

External Guests

- David Zende – University of York
- Louisa Mason – Royal Society of Public Health
- Emeka Forbes – Barnardos
- Aaron Mansfield – Royal Society of Public Health
- Iain Fraser – Office of Ronnie Cowan MP
- Ollie Rackham
- Chloe Black – Office of Fiona Bruce MP
- Sarah Swinglehurst - Office of Carolyn Harris MP
- Katherine Morgan – Interel Consulting UK
- Holly Ramsey – Interel Consulting UK
- Chloe Sercombe – Interel Consulting UK
- Jo Lloyd – Office of Carolyn Harris MP
- Iain Fraser - Office of Ronnie Cowan MP
- Sophia Worringer – Office of the Rt Hon. Sir Ian Duncan Smith MP

Minutes of the Meeting – 2:30pm – 3:30pm

CAROLYN HARRIS MP opened the meeting and welcomed attendees. She stated that she was of the belief that loot boxes are akin to gambling and therefore they should be brought within the scope of gambling legislation. She stated that the three witnesses were **DAVID ZENDE**, **AARON MANSFIELD** and **LOUISA MASON**. She asked attendees to introduce themselves and then welcomed **DAVID ZENDE** from the University of York.

DAVID ZENDE thanked **CAROLYN HARRIS MP** and introduced himself as an academic who specialises in the convergence of video games and gambling. **DAVID ZENDE** shared his screen and began a PowerPoint on loot boxes. He explained what loot boxes were - specifically that you pay money and in return you get a special character from a game. **CAROLYN HARRIS MP** asked how much you would typically pay for a loot box. **DAVID ZENDE** said that individual spins tend to be a couple of dollars, but you can see people spending thousands within individual sessions. He also stressed that it is not about the individual spin, but people spinning again and again. He also said that due to the fact you can't get 'money's worth' out of the other end, this isn't classified as gambling and can be sold to any age.



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DAVID ZENDLE said that in 2012, loot boxes began to develop – changing from a relatively niche feature to where most people playing a game on a desktop are playing a game that has loot boxes in it. It plateaus from around 2015 onwards. **DAVID ZENDLE** said that loot boxes now feature in more than half of top-grossing mobile games on both iPhone and Android stores and feature in about a third of the most widely played Steam games. He also said that these were overwhelmingly available to children (more than 90% of these mobile games with loot boxes are rated 12+). He said the concern was the link between loot box spending and gambling – it turns out the more money you spend on loot boxes the more likely you are to be a problem gambler. **DAVID ZENDLE** said that it was unknown whether this was due to a grooming effect where loot boxes look so much like gambling and you gain so much fun from this that when you see something that looks like loot boxes you spend money on it or if they just appeal to the same mechanisms – problems with impulse control and such.

DAVID ZENDLE said that when asking adolescents about motivation for purchasing loot boxes, some of the words seem familiar. His slide referenced that 16% of adolescents said referenced the fun, excitement, and thrills of opening the box itself. The phrasing is similar to what one might see among gamblers as well.

DAVID ZENDLE said that loot boxes was not the only individual way that gambling and video games were converging. He referenced a site called Players Lounge where you can wager on the next game you play on games like Madden, FIFA, and Fortnite. For example, you can spend 20 dollars that you are going to win and if you lose you lose all your cash and if you win you take the other persons cash – with the platform taking a cut. **DAVID ZENDLE** said that this was similar to gambling, just like loot boxes are.

DAVID ZENDLE then spoke about Pop Slots, a social casino game. He said that these are some of the top grossing mobile video games but you would be forgiven for thinking this is just a slot machine. He said that this technically isn't a gambling product because whilst you can put money in one end, you can never redeem those credits at the end – you are just putting that money in to gamble. Therefore, it is not considered a gambling product in the UK. The vast majority of these – over 90% of what's in the market – are deemed suitable for those 12 or above.

DAVID ZENDLE said that all of these things were linked to problem gambling. He finished his presentation by saying that there are loot boxes, but there is also a wider convergence.

CAROLYN HARRIS thanked **DAVID ZENDLE** for his presentation and asked **AARON MANSFIELD** to go next.

AARON MANSFIELD started by talking about his 'Skins in the Game' report – a survey the RSPH conducted on young people to ask for their opinions around gambling and its impact on their health and wellbeing. He said that they went into it with an open mind but were very quickly led to two pathways. One was sports in gambling and the second was loot boxes. The first key finding was that young people themselves consider loot boxes to be a form of gambling and think they're problematic. **AARON MANSFIELD** said that 6 out of 10 young people that they spoke to believe that buying a loot box is akin to gambling. He said that this is really important as it shows it's not just public health professionals or politicians having a panic about loot boxes – this is something that a good chunk of young people are concerned about.

Secondly, when asked if they thought buying a loot box can be addictive, **AARON MANSFIELD** said that 8 out of 10 said they thought it could be addictive for a young person. To give some context, they asked the same question for legally recognised forms of gambling, so placing a bet with a bookie or buying a scratch card, and the only question that came anything near loot boxes was buying a scratch card, where 40% said it could be addictive compared to 80% saying loot boxes were addictive.

AARON MANSFIELD said that one of the most shocking statistics found was that 55% of young people said that playing a video game in the era of loot boxes and skin betting could increase the risk of a young person gambling. So when you think about 9 out of 10 young people playing video games or a mobile game each week – the fact that half of the young people we spoke to said that they're more likely to gamble is really worrying. He said that this shows that young people are concerned about the gateway effect and moving from loot boxes to gambling.

AARON MANSFIELD gave a quote from a young person – a 14-year-old male in Wales. He said they ran 6 focus groups in this research and that in 3 of them there was a young person who self described as having an addiction to loot boxes at some point in their life. The quote is: "When I was 13 I spent all my birthday money – which was £200 on FIFA, and I used to secretly use my mums cards to buy more when that was gone. I knew it was wrong but I couldn't



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stop. I'd spend all my time thinking about when I could get my next pack so its easy to get caught up in. I was definitely addicted."

AARON MANSFIELD continued by saying that language sounds exactly like what you get for somebody with problem gambling. He said that there seems to be a significant difference in the age groups of young people towards loot boxes. He said that it was the youngest who are buying them and they're also least likely to view them as problematic. When they asked if they had bought a loot box in the last seven days, a quarter of 11-14 year olds said they had compared 16% of 18-24 year olds. Those who were under 18 were much less likely to associate gambling as being harmful to health and wellbeing and they were also much less likely to recognise legally recognised forms of gambling. They were least likely to say that buying a scratch card was a form of gambling or going and buying a lottery ticket was gambling.

AARON MANSFIELD said there was less awareness around forms of gambling. However, when they asked if they would support classifying loot boxes as a form of gambling, we got 25% strongly support from 11-14 year olds and 75% strongly support from 20-24 year olds. There is a clear difference in attitudes. It is the youngest of young people who are most likely to buy them, least likely to see them as a problem, least likely to want any action to remedy them.

AARON MANSFIELD said that when they spoke to the older people there was a very clear sense of anger around loot boxes – they knew it wasn't an actual continuation of the game and that it was something new and alien and also that they had gambled. They were over 18, they might have placed a bet there or bought a scratch card so they knew what placing a bet was, about what winning and losing feels like. They said that taking part in loot boxes feels the same and they were concerned about younger people who didn't have the experience of gambling or didn't know games before loot boxes were introduced would be more vulnerable. **AARON MANSFIELD** quoted a 20 year old who said "the biggest risk we have right now is loot boxes as it is completely ruining the gaming industry as games are now just glorified casinos.

AARON MANSFIELD concluded by saying he thinks it's important to listen to young people around loot boxes and the people we spoke to believe that loot boxes are a form of gambling, they want them recognised in the law as a form of gambling, they are more addictive than any other form of gambling, they are concerned about gateway effects and the concern is the youngest of young people who are most likely to use loot boxes. **AARON MANSFIELD** said that this was a situation they could not live with or accept the status quo when it comes to loot boxes.

CAROLYN HARRIS MP thanked Aaron for his presentation. She said she didn't mention that **AARON MANSFIELD** is also the author of the Royal Society of Public Health's report 'Skins in the game'. She then asked **LOUISA MASON** to speak.

LOUISA MASON thanked **CAROLYN HARRIS MP** and said that whilst she was from the RSPH, she was speaking with her Gambling Health Alliance hat on. She said that they were a coalition of organisations with a shared aim of reducing the harm being caused by gambling but RSPH provides the secretariat. She said that **DAVID ZENDLE** and **AARON MANSFIELD** had done most of the research on this and that loot boxes are essentially a form of gambling although they're not seen that way at the moment under UK law. She said the Skins in the game research showed that this is a problem young people are experiencing and it is a potential route into gambling as they grow up.

LOUISA MASON said that the gambling health alliance are now looking at what they can do and where they can go now and how they can build on the skins in the game report. She said see some change as we all are imminently expecting the gambling act review and homing in on getting loot boxes classified as a form of gambling. She said that they will very shortly be launching their campaign 'Putting a lid on loot boxes' which is to coincide with the DCMS call for evidence on the impact of loot boxes. She said they are also in the midst of conducting a survey with 13 to 24 year olds to get some up to data on their loot box habits and how this might have changed under lockdown as she was sure many more kids will have been spending even more time playing video games.

LOUISA MASON said that what they would be calling for in their campaign is for loot boxes to be classed as a form of gambling and that they should be illegal for children to purchase. She said from their Skins in the game data that 64% of their respondents thought it should be classed as a form of gambling and she thinks they should be removed from games that under 18's play. She said she recognised that gambling is a legal activity for adults to do so whilst you can remove them from kids games it becomes different when they're 18. She said that they would be calling for those games that contain loot boxes to have a code of conduct for developers to abide by – for example, having age verification checks, having self-imposed limits on the amount of money you might be able to spend on a loot box etc.



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She said that in their Skins in the game report, 72% of respondents supported self-imposed limits and another 72% supported there being a pop up warning at point of purchase.

LOUISA MASON said they will be doing some focus group work next year to go through what young people want and sort of co-design the process of what they think could make these games safer. She said it is quite a long process if we want to see them classed as a form of gambling. She recommended that in the meantime they will be asking their campaign supporters to name and shame some of the worst offending games that have loot boxes in them. She said that she knows from her focus group work that a lot of gamers see them as a negative aspect of the gaming experience and something that used to be a kind of innocent pastime has now been polluted by the presence of loot boxes. She said she is currently asking which games are the worst ones and also asking parents to commit to boycotting their purchase in the lead up to Christmas.

LOUISA MASON said they are also focusing on education as she knows this is popular with young people. She said that 86% of their survey respondents think that gambling harm should be covered in school curriculums and as of September this year, gambling is covered in the new health education curriculum. She said they would be asking their focus group on gaming specifically and what they want to be taught but also what parents should be made aware about.

LOUISA MASON finished by saying she was quite heartened to see what's happening in other countries for example, the Isle of Man has regulated loot boxes and so have Belgium and the Netherlands. She said this is an inspiration for us and where we want to go. She also said it was good to see last week the Netherlands fined EA around €10 million on the grounds that the FIFA packs violate their betting and gaming act so it would be amazing if we could do the same thing in the UK.

CAROLYN HARRIS MP thanked **LOUISA MASON** and asked if loot boxes should therefore not be random chance?

SARAH SWINGLEHURST said that loot boxes should not be random because not knowing the content adds to the thrill of the purchase. She said that it formed part of a visual excitement for a child and that if they don't know what's coming it adds to the addiction. She said that it would help if you removed the random element.

CAROLYN HARRIS MP asked **AARON MANSFIELD** about the funding for his report and if it came from GambleAware. She said that she was not fond of GambleAware and that it was rare that she saw industry funded projects that don't have any interference. She asked him if they were completely impartial and if there was no interference.

AARON MANSFIELD said that he could give his word as a researcher and that if it was a project where he didn't have full independence, he would not feel comfortable doing it. He said that this is a subject that he is really passionate about and that he always goes back to his background in teaching where he heard two year 7 boys saying, "If I'm on my Xbox my mum is happy as she knows where I am and what I'm doing" and that the more they study this the more they find that this is far from the truth. He said that they had complete independence all the way through from the focus groups they started with they let the groups set the agenda, turned it into our survey and wrote the survey into a report.

CAROLYN HARRIS asked **EMEKA FORBES** if he would like to say anything.

EMEKA FORBES said that from a Barnardos perspective it is really concerning that children are being led down a path to online gambling. He said that we know gaming developers are using techniques that reward children for spending more and more time on their platform and essentially betting on things like loot boxes. He said that they know this is contributing to an increase in the risk of addiction and related mental health problems. He said that there was some interesting research that came out last year from the non-profit internet masses which polled 2000 parents of 4-16 year olds and found that 26% were concerned about the amount of money that children were spending on in game purchases.

EMEKA FORBES said that it is key to think about the fact that loot boxes are part of a much broader issue within online gaming. He said that they have been campaigning for much closer regulation of online games and that we need practices where game developers are developing products which are safe by design. He said that they are also seeing that new technology means that children can play games on the go using smart phones and other handheld consoles. He said that this is a worrying trend because it means that loot boxes are no longer confined to the home where there



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is at least some degree of parental responsibility but that children can do stuff that goes beyond the eyes of their guardian.

EMEKA FORBES said that these loot boxes are fundamentally gambling – you can buy a Virtual Box that contains random items and you are betting that whatever is inside is of some kind of value to you. He said that he strongly agrees with **AARON MANSFIELD** and that his report was really helpful and what they really want to see is the industry incorporating child safety features into products by design so that children are protected from the dangers of online gaming and gambling.

EMEKA FORBES said that they have to reflect that the impacts of loot boxes and other issues that come with gaming – such as grooming and cyber bullying – they are multiple and uneven. He said that the most vulnerable children are those affected in the most serious way so we need more evidence on how this is affecting vulnerable children.

RONNIE COWAN MP asked if we can change the law in the UK and say that loot boxes are a form of gambling, how do we then stop people from buying the product – as gambling remains legal in the UK. How can you stop children under 18 from buying loot boxes? Beyond this – are we looking at IP addresses? How did the Isle of Man and Belgium do it?

DAVID ZENDLE said he thinks that what Belgium did was very small scale and was limited to a small amount of products. He said that he thought that those developers just changed the product they were offering in those regions in very specific ways.

RONNIE COWAN MP asked how they changed the product they are offering in specific areas if they are downloading it off the internet.

DAVID ZENDLE said that if you are providing these games and you want to go along with the law, you could do something like making the contents visible before you buy a loot box so that it doesn't have a random element anymore. Therefore, this is no longer gambling. If we are talking about wholesale, one thing that we shouldn't underestimate is the scale of machinery that would be necessary to regulate this in an effective way. He said that dozens of loot boxes are bought every day and some projections say that they make up to \$30 billion a year from loot box sales. He said that if we do take the step of classifying them as gambling, in order to create the machinery to stop the use of them, we will have to have a huge expansion of the Gambling Commissions powers and staff.

CAROLYN HARRIS MP asked if we could stop loot boxes being built into games.

DAVID ZENDLE said as one territory, he is not sure what would happen. He said that we are a small part of the global loot box market and it might be the case that rather than build a different version of their games without loot boxes for us, instead these games are not extended to the UK market. It is hard to know what would happen if a country like the UK said all loot boxes are gambling because he is not aware of this happening before.

SIR IAIN DUNCAN SMITH MP said that no more evidence was required and that there is no question in his mind that loot boxes fall into the gambling element. He said that the excitement of the spin and the wait is what makes you put more money into trying to get another one. He asked if this is something that should be pursued on an international scale or if it was something that individual countries could do? He said it is very difficult to ensure that companies abide by any local law – national law – or if it is even feasible to enforce it nationally.

AARON MANSFIELD said that Belgium classified in game purchases as a form of gambling and EA Sports response to that was to stop selling loot boxes full stop. If you were an adult, you could not buy loot boxes because they were taken completely off the table for all age groups. He said that he had seen some small studies on people using VPNs to get around regulations and that this is something they need to monitor because if it is the case, then we need to look at multinational legislation not just national. He said that Belgium gives some insight into how national regulations may work.

SIR IAIN DUNCAN SMITH MP said that this is fine for the large companies that can do this but that he wondered to what degree is this enforceable amongst smaller game developers. He asked if we are reliant on them doing this, or if we would have to set up a body that checks all of the games online to make sure that they are compliant.

DAVID ZENDLE said that compliance would be expensive and onerous. He said that it would be possible. He said that one thing his researchers do is go through lists of games and try to figure out if they have loot boxes in them. He



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said in some cases you have to play a game for many hours before you can figure out if they have loot boxes in them because they give them to you for free at first and then much later you get the offer. He said that this is expertise that is not currently in any bodies in the UK. He said that this would be very difficult for the Gambling Commission to do under its current set up.

SIR IAIN DUNCAN SMITH MP asked to what degree we know that existing gambling companies are backers of these types of games. He asked if we had any information to suggest that significant amounts of money are being put into these games as a sort of future investment.

CAROLYN HARRIS MP said that nobody knew.

SIR IAIN DUNCAN SMITH MP said that this is something we should probably look into as this is clearly an area that would interest them. He said that he had often thought that they were probably involved in this.

RONNIE COWAN MP said that there is currently no regulation that says to the manufacturer that they have to declare that their game contains loot boxes. He said that surely this is the first thing we have to go after – putting a warning on games.

SIR IAIN DUNCAN SMITH MP said and then a significant fine if they are found to be lying.

CAROLYN HARRIS MP asked if Call of Duty did not put loot boxes in their last game?

DAVID ZENDLE said he was supposed to be an expert but could not answer this. He said that there are some companies that have begun removing loot boxes from their games. A good example would be Rocket League and Fortnite which used to have loot boxes but has now removed them. He said that he was not sure if these companies were removing loot boxes as a part of a concerted effort on behalf of industry or whether those specific loot boxes just aren't profitable.

RICHARD HOLDEN MP said that he agreed with the idea of doing something quick on this and that this is a sensible thing to do.

GERALD JONES MP said until fairly recently he had never come across the term loot boxes. He said that doing some research on it, it is absolutely horrifying to think of it. He asked if we could get a flavour of the scale of the issue across the UK and how big of an issue it is. He said that **DAVID ZENDLE** said there was something like £30 billion, but that he assumed this was a global figure rather than a UK figure. He asked what thoughts there are on an outright ban or regulation were.

DAVID ZENDLE said that in terms of overall prevalence, their data is really spotty. He said that there are certain bodies who hold information about this, but they are under no obligation to give that information to researchers and there are no structures to facilitate this happening. He said that the games industry know how many loot boxes are being sold in what region and to who but that this data is not available to researchers. He said that the data they have has to come from public sources. He said that the \$30 billion figure is quoted a lot of the time but nobody knows how accurate it is. He said that from academic subjects, he can say that in game items that come out of loot boxes that are tradeable have generated almost 5 billion in player-to-player trades and that more than half of the top grossing games on iPhone in the UK have loot boxes in them. The same goes for Android.

LORD FOSTER said that he is the Chair of Peers for Gambling Reform, which has 150 members in the House of Lords. He said that if there was more time, it would be good to talk about the vital importance of parental education so that people know what their children are doing. He said that it would be great to stress the crucial need of having proper age verification measures in place – which are important if we somehow ban loot boxes. He said that we also need to address minor things, like what we do with the lucky dips that you can buy in a newsagent shop which are the offline equivalent to loot boxes.

LORD FOSTER asked **LOUISA MASON** that she seemed to suggest that taking action was a length process – he said that the Lords made one key recommendation that we simply pass a regulation that changes the wording of Section 6.6 of the Gambling Act that says that loot boxes and similar games of chance count as gambling. He said that he can't see why that can't be done and that his big worry is that we might have to wait for the wider review on gambling before we can take action. He said that the Government has started to collect information on loot boxes and so they should start to press ahead on what is possible and make this small change so that the issue is regulated.



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LORD FOSTER said that in terms of compliance, you simply put a duty of care on all the owners and the top people within video game companies to ensure that they are not breaking what now would be the law.

LOUISA MASON agreed and said this would be brilliant.

SAMMY WILSON MP asked what happens to the companies that are selling these products are based outside of the UK, how can we enforce the law?

LORD FOSTER said that this could be done very easily in the same way that you cannot use your credit card for gambling in the first place, and the banks are involved, making a purchase of this in the UK to any firm is illegal. He said that once loot boxes become gambling, then anybody who wants to make a video game available in the UK, it is now a gambling product, would have to be licensed in the UK to do so. He said that he understood black markets and that people could get around it, but they would not be allowed to advertise in the UK so people would be unaware about their availability. He said that this would deter the vast majority of kids from doing it.

LOUISA MASON said that this would be the ideal situation that she would like to see. She said that the reason she sounded pessimistic is because she anticipated that the consultation will happen, then we have to wait for the feedback, and that potentially what had just been outlined is too good to be true.

LORD FOSTER said that if we can get over to the Government that they do not need to wait for the result of the full scale gambling review, - they simply need to get on with this one off review and that we all put pressure on them then within 3 months we could be there.

CAROLYN HARRIS MP said that it seems to her that we know there is a problem, we don't know how much of a problem because we don't have all the full facts and figures, but that the general feeling from the Parliamentarians is that we should do something about them. Members then discussed potential activity around the Loot Box issue.

CAROLYN HARRIS MP asked witnesses for any case studies as useful for the Group's work.

LORD FOSTER said that Members would find it helpful to receive a copy of any responses to the consultation from witnesses on the call.

CAROLYN HARRIS MP suggested that Barnardos consider submitting a response as well.

CAROLYN HARRIS MP thanked everyone and said she would see them tomorrow in the National Lottery session.