

# GAMBLING COMMISSION

Carolyn Harris MP  
Chair, Gambling Related Harm APPG  
House of Commons  
London  
SW1A 0AA

15 January 2021

Dear Ms Harris,

## **Information regarding illegal online gambling**

Thank you for inviting me to give evidence to the APPG regarding the Gambling Commission's analysis of illegal online gambling, its impact and how we are tackling it. I want to start by expressing my deepest sympathies to you and your family following the death of your father.

Unfortunately, I am not able to make the rearranged date, as my team have explained to your colleagues. As agreed, I hope this written submission will prove useful to you and your colleagues during your deliberations.

### Illegal gambling

As you will be aware, all of our work is guided by our statutory licensing objectives, which can be summarised as keeping crime out of gambling, protecting children and vulnerable persons from being harmed by gambling and ensuring gambling is fair and open.

In carrying out our functions, we devote a lot of resources to regulating the licensed market to ensure Great Britain (GB) consumers are able to gamble in accordance with the conditions of the licences they hold. The industry is worth around £14.3 billion, measured by Gross Gambling Yield (GGY), and the majority of our Compliance and Enforcement teams time is dedicated to ensuring operators comply with the requirements we set and dealing firmly with non-compliance.

In terms of keeping crime out of gambling, we work to identify and disrupt illegal gambling where there is a real threat to consumers in GB. We carry out horizon scanning and intelligence building to enable us to identify and where necessary disrupt websites that are offering facilities for gambling illegally. This includes, increasingly, working with other regulators across Europe and the world to share best practice and provide information on emerging activities and risks. That liaison continues and includes considering new tools and technological solutions to this issue.

As we detailed in our most recent [Compliance and Enforcement report](#), our approach ensures that we target our resources on the issues that present the greatest risk to consumers in GB. We have carried out a number of Enforcement actions (59 cases of remote unlicensed operators in 2019/20 and 74 so far in 2020/21) under section 33 of the Gambling Act 2005 (the offence of making



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unlicensed gambling facilities available) and section 330 (the offence of advertising unlicensed facilities for gambling). In summary, our investigations have shown:

- Increasing sophistication in the construction and deployment of such websites
- A concerning emphasis on targeting vulnerable consumers, many of whom may have previously self-excluded via GamStop.
- Links to organised crime.

Our concerns about unlicensed gambling are obviously heightened by the fact that any consumer who is gambling with an illegal operator will find themselves in the hands of someone who is not likely to protect them from harm, protect their personal data or treat them fairly.

### Scale of illegal gambling

Whilst we are concerned about the issues described above and take action to protect consumers, we need to point out that our data indicates that scale of illegal market is stable. We know that licensed operators and their trade bodies are concerned about the impact of the illegal market, but our own evidence suggests that the impact may be being exaggerated. In any event, we are not convinced by the argument that suggests that raising standards in the licensed market will prompt consumers to gamble with illegal operators.

Great Britain has a mature regulated market which serves consumer demand effectively. The competitiveness of the legal market offering and the effectiveness of the regulatory framework helps minimise the scope of the illegal market. We are keen it stays that way and address illegal operators in the ways described below.

The Commission has many different avenues for collecting intelligence on unlicensed gambling sites including our contact centre, confidential reporting line and direct contact from other stakeholders or operators. We also engage with other regulators internationally in order to assist our efforts in tackling illegal gambling and engaged with 15 regulators in this way during 2020. When all accounted for, in 2020 we received 182 information reports, through all sources, of illegal online gambling. These information reports are broken down by month and type in the attached charts. Of these, after review, disruption or enforcement action was taken as set out in the numbers above. This work is described further below. This number of reports compares to the 26,212 contacts received by our Contact Centre in total in 2020 – a stark contrast. Looking at the attached charts, the spike in January reflected a surge, associated with Curacao based enterprises attempting to entice GB consumers who were self-excluded, which our Enforcement team has been addressing. In July there was also a spike related to additional reporting coming from third parties.

Whilst this data shows that there are threats from illegal gambling for GB consumers, the scale of the threat needs to be kept in proportion, despite recent media reports and reports from consultants paid for by the industry, and should not distract from the need to continue to drive up standards and make gambling safer in the regulated market.

Where operators or anyone else have evidence of unlicensed entities gaining a customer base in Great Britain, however marginal, we are clear we expect them to share that with us so we can tackle it. For instance, we have also reviewed the report by PWC commissioned by William Hill and Entain (formerly GVC). PWC's report extrapolates figures using Commission data from 2017-18 and their own UK consumer survey to estimate that the total staked on the black market is approximately £1.4 billion driven by 200,000 consumers. PWC also state that current spend and usage of unlicensed operators in the UK is low, both in absolute terms and by comparison to other European markets.

Whilst we welcome research in this area, we recommend that the figures in the PWC report should be treated cautiously. The report is absent of any evidence of an increasing remote illegal gambling problem in Great Britain. Their methodology makes clear they had to use data from August 2018 which indicates traffic to websites but does not differentiate whether that was by consumers or reflective of the vast amount of automated transactions that bots and other system tools conduct. Further the report's extrapolated figure of potentially 200,000 UK consumers using illegal websites is not consistent with the intelligence picture, including reports received by the Commission, from the public or other appropriate bodies such as Law Enforcement.

### Tools for tackling illegal gambling

The Gambling Commission has a staged approach when we become aware of suspected individuals or companies offering unlicensed gambling facilities to GB consumers. Following an intelligence led triage process, our initial action is to issue cease and desist demands. Where this is not adhered to, we use disruption techniques to cut off advertising and or payment methods. Our methods have included utilising:

- our relationships with web hosting companies to bring down websites,
- payment providers to remove payment services and
- social media sites to prevent websites appearing on search engines or being hosted.

We also have powers to prosecute or refer issues to partner agencies such as HMRC where necessary. Further to this, we urge licensed entities to remain vigilant as to the risk of illegal sites using their software without authorisation and to report any such instances to us immediately.

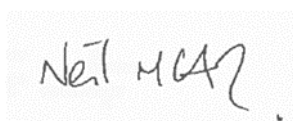
An example of this work is how we have tackled unlicensed websites being promoted to gamblers who had self-excluded from GAMSTOP, given as a case study in our Compliance and Enforcement report 2019/20. Once the Commission became aware of these websites, we utilised our criminal powers to investigate and disrupt these websites through liaising with website hosting services, search engines, social media, payment service providers and licensed software providers of popular casino games. The Commission's [prosecution of FutGalaxy](#) is another example of our ability to use our criminal powers where disruption and warnings do not work and where there were aggravating factors such as the risk to children.

We do need to ensure our powers and resources are kept under review to ensure we remain effective in tackling illegal gambling. Criminals seeking to circumvent the regulated sphere and exploit the vulnerable are demonstrating increasing sophistication, complexity and capability which poses challenges to us to keep pace. Throughout 2020 we conducted a full review of our work regarding illegal online gambling. We also continued to engage with other regulators around the world. As a result we will be able to advise Government as part of the Gambling Act Review. When that advice is published we will of course forward a copy to you.

Ultimately if it is decided that further action is required to stop illegal gambling from proliferating, we will need to further resource this work. We have already been working with DCMS on proposals to uplift our Fees and hope to see progress in this area going forward.

I hope this information is of use to the APPG in your work.

Yours sincerely,



Neil McArthur  
**Chief Executive**