

**Victorian Responsible Gambling Foundation**

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# **SUBMISSION TO THE AUSTRALIAN BANKING ASSOCIATION CONSULTATION ON THE USE OF CREDIT CARDS FOR GAMBLING TRANSACTIONS**

5 March 2020

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# 1. INTRODUCTION

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The Victorian Responsible Gambling Foundation welcomes the opportunity to make a submission to the Australian Banking Association consultation on the use of credit cards for gambling transactions.

The Foundation was created by the Victorian Parliament under the *Victorian Responsible Gambling Foundation Act 2011* specifically to address the challenge of gambling harm in the Victorian community.

Our vision is a Victoria free from gambling-related harm. We aim to improve the health and wellbeing of Victorians by working with our communities and government to deliver effective, evidence-based initiatives and innovative approaches to prevent gambling harm and provide support for those seeking help. Our strategic priorities are to:

- prevent gambling harm through a public health approach
- work in partnership with those who share our vision to improve community health and wellbeing
- build a collaborative and respected centre of expertise to deliver our mission for all Victorians.

We provide the community and governments with research evidence to assist and promote strategies to reduce and prevent gambling harm. We seek to understand industry activities and emerging technologies, analyse trends and developments, and offer online tools and professional support to those who experience gambling harm.

Robust, relevant and quality data, research, reviews and evaluations assist the Foundation to demonstrate performance against our legislated functions, develop organisational knowledge and identify areas for improvement. The Foundation is committed to ensuring the effectiveness and efficiency of our public health approach to ensure our initiatives reduce and prevent gambling harm.

The Foundation acknowledges steps taken by various banks to limit or ban gambling transactions on credit cards, as well as moves to allow customers to set their own restrictions.

## 2. SUMMARY OF OUR POSITION

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The Foundation recommends banning the use of credit cards for gambling. We are particularly concerned about the use of credit cards for online wagering i.e. race betting (horse, harness and greyhound) and sports betting.<sup>1</sup> These forms of betting offer the opportunity to place multiple bets frequently and in high sums. They are also heavily promoted via commercial media and through continuous, tailored direct marketing to those who hold gambling accounts.<sup>2</sup>

Race and sports betting are among the forms of gambling most associated with gambling harm. More than 20 per cent of those who gamble on these products are highly likely to experience harm.<sup>3</sup> This group is the most likely to use credit cards to gamble.

### 2.1 CREDIT, DEBT AND HARM

Signs that gambling harm may be occurring include difficulty in managing the amount of time or money one spends on gambling activities. Credit cards are of particular concern because they enable immediate and easy access to funds beyond those needed to meet an individual or family's day-to-day living costs. Research into non-problematic gambling suggests that activities are usually funded from within existing income and financial means. People whose gambling costs exceed their means are at high risk of harm.<sup>4</sup>

Research shows that people who experience severe gambling harm are far more likely than others to gamble more money than they can afford; use credit cards to do so; and to access credit card funds early. The effect is to accelerate the speed and extent to which an individual spends beyond their means.

Moreover, there is evidence that ongoing indebtedness compounds the harms created by gambling including, in the case of unmanageable debt, growing financial difficulty. In addition, debt is a source of psychological stress that affects both the person who gambles, and those close to them. It often serves as a driver for people to gamble more (chasing losses), which leads to further debt.

Evidence suggests most people can stick to their limits when using cash (or immediate funds) earmarked for recreational gambling activities, without the need for credit or borrowed funds. In the case of electronic gaming machines (pokies), research has found that trying to borrow money or obtain credit in a venue is highly indicative of a serious gambling issue and severe harm.<sup>5</sup>

### 2.2 EFFECT OF A BAN

We would expect a ban on the use of credit to significantly reduce the extent of harm or risk to people who are vulnerable to gambling harm.

A ban would also be expected to reduce the amount of money being spent by people experiencing harm from their gambling. This outcome is in accord with the gambling industry's own responsible gambling policies, which stress the importance of customer care and the intention to minimise harm.

In implementing a ban on using credit for gambling, we would encourage banks to look into any unintended consequences for small businesses.

### 2.3 POLICY ISSUES

In most jurisdictions in Australia it is not legal to supply credit or use credit cards in commercial gambling venues. In the UK, after an extensive review, a ban on the use of credit cards for gambling comes into effect in April 2020. Key to the UK government's decision was the extensive use of credit cards by those experiencing harm to fund their gambling, along with the sizeable debts being incurred.<sup>6</sup>

There is a gap in Australia's policy settings in relation to online gambling and credit. While use of credit cards in venues is not a legal option in many cases, people can use credit cards to make deposits into online betting accounts.

In 2017, the Commonwealth Government introduced legislation to prevent corporate bookmakers from providing advances to people to gamble. A ban on the use of credit cards to gamble would provide a substantial and beneficial protection lacking since the rise of online betting.

## 3. THE EVIDENCE

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### 3.1 GAMBLING HARM

In Victoria, the social cost of gambling harm is estimated to be about \$7 billion a year.<sup>7</sup> Around 70 per cent of Victorians gamble at least once a year, but only about 20 per cent gamble on the products most associated with harm. These are pokies, sports betting, race betting and casino table games.<sup>8</sup>

It is estimated that 6 per cent of people who bet on racing experience harm. For sports betting, the figure is 16 per cent. If those likely to be at risk of harm are factored in, the figures grow to 25 and 37 per cent respectively.<sup>9</sup> Many people who experience severe harm are also affected by other issues, such as depression, anxiety and impulse control disorder.<sup>10</sup>

Harms from gambling are broad ranging. They can have an impact on social relationships, family relationships, work performance, and physical and mental health. This is in addition to short- and long-term financial disadvantage, which can lead to loss of creditworthiness, chronic high interest debt, housing issues and involvement in criminal activity.<sup>11</sup>

As noted in the consultation paper, the availability of online gambling increases people's access to a variety of gambling options and the speed and extent of potential losses. For example, the ability to make direct deposits into an online betting account can reduce a person's awareness of how much they are spending when compared to gambling with cash. A credit transaction could increase this effect, as cashless gambling using credit may make the risks seem less real, and the possible consequences less appreciated.<sup>12</sup>

### 3.2 WHAT WE KNOW ABOUT DEBT, CREDIT CARDS AND VULNERABLE GAMBLERS

The Australian and UK betting environments and cultures are in many ways similar; UK evidence is therefore a pertinent addition to the evidence base. Overall, research on debt and gambling makes it clear that those with gambling issues are:

- a. highly susceptible to experiencing harmful debt
- b. highly likely to experience further harm from the debt itself.

A large UK study found that people at risk of, or experiencing, gambling issues were twice as likely to have borrowed money from pawnbrokers, money lenders or family and friends in the past year than those who experienced no issues, and five times more likely to have experienced debt problems.<sup>13</sup>

A recent review of literature on gambling and debt found that lost savings, debt problems and bankruptcy are among the most common harms reported by those who experience gambling problems.<sup>14</sup> Further, the authors note that people who use credit to fund gambling, or rely on credit as a result of gambling, are at elevated risk for mental health problems. They suggest that access to credit is a "key modifiable risk" in relation to gambling and the development or exacerbation of a range of psychosocial problems. This finding is in itself a strong argument for banning credit cards for gambling.

Another study highlights the compounding interaction between gambling, debt and harm through an analysis of data that compared identified problem gamblers with and without debt against people who gambled without problems and had no debt.<sup>15</sup> Problem gamblers without debt were four times more likely to experience a common mental disorder than those with no gambling issues. Those with debt problems were seven times more likely to experience a mental disorder. Other research has led to similar findings.<sup>16</sup>

People with gambling issues are heavy users of credit cards. In 2010, the Productivity Commission's extensive inquiry into gambling found that people who identified as problem gamblers were four times more likely to use credit cards to obtain cash to gamble than those in the still problematic category of low-risk gamblers.<sup>17</sup> At the time, online gambling was in its infancy and the Productivity Commission was cautious about banning credit cards for online gambling. The evidence linking credit with harm is now much starker.<sup>18</sup>

The authors of another study from around the same time found it was common for clients of gambling counsellors to have five or more credit cards. The most extreme case was a client who had 14 credit cards and credit card debt totalling \$300,000.<sup>19</sup>

It is hoped that current lending practices might avoid this most extreme example still being possible. However, a submission by Financial Counselling Australia to a 2017 Senate inquiry indicated there was still a high prevalence of credit card usage among gambling clients, noting that counsellors frequently saw clients who had multiple cards and were tens of thousands of dollars in debt.<sup>20</sup>

A more recent UK survey found credit cards were disproportionately used by people experiencing gambling harm. Survey participants who experienced harm made up 47 per cent of those who used credit cards to gamble. They were more than twice as likely to use credit cards than other participants who gambled. Moreover, those in the worst category for harm were the most likely to use credit cards, with 38 per cent of them doing so. Of those in the next worst category, almost one third did so. By comparison, among participants who gambled without issues, only 8 per cent used credit cards to gamble.<sup>21</sup>

In another UK study, which specifically looked at people experiencing or affected by gambling harm, 49 per cent reported using credit cards to fund their gambling, 40 per cent were overdrawn on their bank accounts, and 27 per cent had taken out payday loans.

In terms of the lasting impact of these practices, it was found that 76 per cent of the survey participants had built up debt due to gambling, as had 44 per cent of affected others.<sup>22</sup> These findings are not representative of typical credit card use. For example, a recent survey of Australian credit card users found a third regularly paid the balance by the due date and only 20 per cent had debts greater than \$1000. A third of Australians reported no use of credit cards at all.<sup>23</sup>

A final point concerns the position of credit cards in pathways to gambling harm. A South Australian Centre for Economic Studies (SACES) study for the Commonwealth Government identified what they called the “problem gambling timeline”. The researchers noted that people descending into severe gambling harm use their most liquid and invisible funds first. These are funds they have easy access to and for which expenditure will be unremarked. Credit cards feature early in the timeline. As problems worsen, people access more visible funding sources, taking out additional loans and credit cards, borrowing from friends and selling belongings. They then withdraw money from home loans and joint accounts to meet mounting unmanageable debt.<sup>24</sup>

### **3.3 CREDIT CARDS AND INCENTIVES TO USE THEM – GETTING STRONGER?**

In an environment where technology enables direct, almost instantaneous, connections between betting and people’s bank accounts, those at risk of gambling harm become even more vulnerable.

A recent study calculated that in 2016 there were approximately five times the number of gambling ads on commercial free-to-air TV as there were for alcohol.<sup>25</sup> The total industry advertising spend for sports and race betting in 2018 is conservatively estimated at \$273 million.<sup>26</sup>

In addition to this advertising, direct marketing, including inducements, are sent to holders of betting accounts. Inducements and bonuses to bet are central to industry strategy to increase market share and grow markets. These promotions act as an incentive for people to open multiple betting accounts.<sup>27</sup>

Research has also noted that promotions tend to focus on offers and incentives involving complex bets with odds that are more likely to be in the bookmaker’s favour. The odds in complex bets are often difficult for the consumer to calculate. In such cases, researchers note that psychologically the prospect of winning such a bet is often more imaginable than an insight into the real likelihood of its occurrence.<sup>28</sup>

Use of credit cards requires a relatively high level of rational calculation because it involves determining the affordability of a purchase based on a person’s future ability to repay the cost, as well as meet other obligations, from within their existing income.

Removing credit cards from this environment of constant incentives to bet will make a positive contribution to reducing gambling harm and the risk of gambling harm. By removing the ability to bet future funds, a brake will be applied to the speed and even extent of uncontrolled gambling.

The online betting environment offers quick returns. However, equally quick – and much more likely – are losses. More and more, the online environment features a larger and wider range of products on which to gamble and incentives to do so, which can be accessed at any time of the day or night.

The Foundation strongly argues that this environment is not conducive to rational calculation. Rather, it is an environment in which the use of credit cards is increasingly likely to result in harm, even greater than that identified by current research.

## ENDNOTES

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<sup>1</sup> By wagering we follow its legal definition, meaning the placing of bets on all outcomes of events. In Australia these products are primarily betting offers in relation to racing and sporting events.

<sup>2</sup> See Russell A. et.al. 2018, Are direct messages (texts and emails) from wagering operators associated with betting intention and behavior? *Journal of Behavioral Addictions* Sept 2018; Hing N. et.al. 2018, Effects of Wagering on Vulnerable Adults, Victorian Responsible Gambling Foundation: Melbourne, August

<sup>3</sup> Calculated from Victorian 2014 prevalence study, Hare, S. (2015) *Study of Gambling and Health in Victoria*, Victoria, Australia: Victorian Responsible Gambling Foundation and Victorian Department of Justice and Regulation, using findings from Browne M., et.al. 2016, *Assessing gambling related harm in Victoria: a public health perspective*, Victorian Responsible Gambling Foundation, April. Conservative estimate

<sup>4</sup> Dowling, N, Youssef, G, Greenwood, C, Merkouris, S, Suomi, A, Room, R, 2018, *The development of empirically derived Australian responsible gambling limits*, Victorian Responsible Gambling Foundation, Melbourne pp.100–1

<sup>5</sup> Thomas, A, Delfabbro P. (2014) *Validation Study of In-venue Problem Gambler Indicators*, Gambling Research Australia

<sup>6</sup> Gambling Commission statement 14 January 2020. <https://www.gamblingcommission.gov.uk/news-action-and-statistics/news/2020/Gambling-on-credit-cards-to-be-banned-from-April-2020.aspx>

<sup>7</sup> Browne, M, Greer, N, Armstrong, T, Doran, C, Kinchin, I, Langham, E & Rockloff, M (2017), *The social cost of gambling to Victoria*, Victorian Responsible Gambling Foundation, Melbourne

<sup>8</sup> Hare, S. (2015) *Study of Gambling and Health in Victoria*, Victoria, Australia: Victorian Responsible Gambling Foundation and Victorian Department of Justice and Regulation.

<sup>9</sup> Calculated from Victorian 2014 prevalence study, Hare, S. (2015) *Study of Gambling and Health in Victoria*, Victoria, Australia: Victorian Responsible Gambling Foundation and Victorian Department of Justice and Regulation, using findings from Browne M., et.al. 2016, *Assessing gambling related harm in Victoria: a public health perspective*, Victorian Responsible Gambling Foundation, April.

<sup>10</sup> Victorian Responsible Gambling Foundation, 2019, *Submission to the Royal Commission into Victoria's Mental Health System*

<sup>11</sup> For a comprehensive study see, Browne M., et.al. 2016, *Assessing gambling related harm in Victoria: a public health perspective*, Victorian Responsible Gambling Foundation, April.

<sup>12</sup> See Productivity Commission. (2010). *Gambling*, Report Number 50. Canberra

<sup>13</sup> Cowlshaw, S. & Kessler, D. (2016). Problem gambling in the UK: implications for health, psychosocial adjustment and health care utilization. *European Addiction Research*, 22 (2), 90–8.

<sup>14</sup> Swanton, T. & Gainsbury, S. (2020). Gambling-related consumer credit use and debt problems: A brief review. *Current Opinion in Behavioral Sciences*, 33, 21–31.

<sup>15</sup> Meltzer, H., Bebbington, P., Brugha, T., Farrell, M., & Jenkins, R. (2012). The relationship between personal debt and specific common mental disorders. *European Journal of Public Health*, 23(1), 108–113.

<sup>16</sup> See Grant, J., Schreiber, L., Odlaug, B., Kim, S.W. (2010). Pathologic gambling and bankruptcy. *Comprehensive Psychiatry*, 51, 115–20; Oksanen, A., Savolainen, I., Sirola, A., & Kaakinen, M. (2018). Problem gambling and psychological distress: A cross-national perspective on the mediating effect of consumer debt and debt problems among emerging adults. *Harm Reduction Journal*, 15, 1–11.

<sup>17</sup> Productivity Commission. (2010). *Gambling*, Report Number 50. Canberra 13.39

<sup>18</sup> It is also probable that the Productivity Commission was not able to distinguish between debit and credit card transactions. Debit cards make up a massively higher proportion of all Australian transactions and are much more common in the population.

<sup>19</sup> SACES, *Problem gamblers and the role of the Financial Sector* Occasional paper No.33 Department of Families, Housing, Community Services and Indigenous Affairs, Australian Government 2010

<sup>20</sup> Cited in Swanton, T., Gainsbury, S., & Blaszczynski, A. (2019). The role of financial institutions in gambling. *International Gambling Studies*, 19(3), 377–98.

<sup>21</sup> Gambling Commission (2019). [\*Consultation on gambling with credit cards\*](#). UK

<sup>22</sup> Nash, E., MacAndrews, N., & Edwards, S. (2018). [\*Out of luck: An exploration of the causes and impacts of problem gambling\*](#). London: Citizens Advice.

<sup>23</sup> Finder.com.au, (2018) *State of the credit card market report*

<sup>24</sup> SACES, *Problem gamblers and the role of the Financial Sector* Occasional paper No.33 Department of Families, Housing, Community Services and Indigenous Affairs, Australian Government 2010

<sup>25</sup> O'Brien, K & Iqbal, M 2019, *Extent of, and children and young people's exposure to, gambling advertising in sport and non-sport TV*, Victorian Responsible Gambling Foundation, Melbourne.

<sup>26</sup> Standard Media Index 2019. Does not count expenditure on sponsorship or branding

<sup>27</sup> See Hing, N, Russell, A, Rawat, V, 2018, *Direct messages received from wagering operators*, Victorian Responsible Gambling Foundation, Melbourne; Hing, N, Russell, A, Rockloff, M, Browne, M, Langham, E, Li, E, Lole, L, Greer, N, Thomas, A, Jenkinson, R, Rawat, V, Thorne, H, 2018, *Effects of wagering marketing on vulnerable adults*, Victorian Responsible Gambling Foundation, Melbourne. Note that it is not legal to explicitly offer an incentive to open a bank account. Nonetheless, the incentives of offer to account holders are widely known and do constitute an incentive to gamblers to open an account.

<sup>28</sup> Newall, P.W.S., Moodie, C., Reith, G. et al., 2019, Gambling Marketing from 2014 to 2018: a Literature Review. *Current Addiction Report* 6, 49–56

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