

Money and Mental Health submission to the Gambling Commission call for evidence on gambling on credit cards

Q5. Do you have any comments on the risks and concerns associated with gambling with credit cards?

Money and Mental Health shares the concerns about the risks associated with gambling with credit cards expressed in the Gambling Commission's call for evidence.

While problem gambling is a distinct mental health problem, we also know that other mental health problems, which affect one in four adults each year, are also associated with problematic or harmful gambling behaviours. Problem gambling can be both a cause and consequence of mental health problems, and is associated with a wide range of psychological symptoms of mental health conditions, such as increased anxiety, low mood and poor coping skills.

Gambling related harm

Our research found a number of specific types of problematic gambling during periods of poor mental health, which may also increase the risks of gambling on credit cards. Most notably, the experience of a mental health problem can bring about changes in people's ability to manage impulses. For some, this is a side effect of medication used to treat mental health problems. Greater impulsivity, is in turn, a risk factor for problematic gambling.¹ Impulsivity can make people more inclined to gamble in the first place or can make it more difficult to stop gambling once they have started. Access to credit cards and any form of borrowed funds, for a person struggling with impulsivity, can be particularly problematic.

We have also come across cases of 'goal-driven' gambling among people with mental health problems. People with mental health problems are more likely to have lower incomes than those without,² and are three and a half times as likely to be in financial difficulty.³ These financial pressures can make people feel like they have no way out and, combined with the difficulties assessing risks and planning ahead which may be associated with some mental health conditions, can lead to potentially damaging gambling behaviours.⁴

¹ Murray N. Know the odds; the links between mental health problems and gambling. Money and Mental Health Policy Institute. Policy Note Number 11. 2017

² Mental Health Taskforce. The Five Year Forward View for Mental Health. NHS England. 2016.

³ Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.

⁴ Holkar M. Seeing through the fog: how mental health problems affect financial capability. Money and Mental Health Policy Institute. 2017.

“I hoped that gambling would solve my debt. I spend without any thought for my next meal” Expert by experience

In these cases, people with mental health problems experiencing associated financial difficulties may be at particular risk of gambling on credit cards with the aim of fixing their financial problems. Losses in these situations can be particularly hard to bear, and cause serious financial and psychological harm.

Charges incurred by consumers for gambling transactions made with a credit card

The challenges and likelihood of harm caused by gambling with credit cards can be further exacerbated by the wider effects of mental health problems. Cognitive and psychological challenges associated with many mental health conditions can make it more difficult to understand complex information; including information on interest rates, and fees for cash withdrawals, which may mean that people are less likely to understand fully in advance the additional costs and consequences of gambling using a credit card. Damage to people’s credit files as a result of this behaviour, in particular, can cause significant distress and have long term consequences for a person’s financial resilience and opportunities.

Credit cards provide an ongoing and extendable line of credit. Importantly it is a form of credit which doesn’t run out immediately if you go over a pre-agreed limit, and these ongoing credit agreements do not respond in real time to a person’s changing circumstances and what they can afford, meaning in some cases people may have substantially reduced means but continued access to substantial credit through credit cards. However, similar issues with the lack of hard limits to credit exist in current accounts with unauthorised overdrafts too. In addressing harm caused by debt-funded gambling, the Gambling Commission should also consider the risks posed by other lines of credit, and how these can be managed.

Q6. Do you have any comments whether, on balance and given those concerns, the Commission should consider prohibiting or restricting credit cards for gambling?

Given the concerns expressed in our response to Q5, Money and Mental Health broadly support the Gambling Commission’s proposal to restrict or prohibit the use of credit cards for online gambling. However, we also believe more could be done to mitigate against the risk of harm that gambling on credit can cause, particularly the risks of harm posed to people who are experiencing mental health problems.

In addition to prohibiting the use of credit cards to pay for online gambling transactions, we would also encourage the Gambling Commission to explore the use of alternative user-led control options

that would offer consumers greater protection from harmful and problematic gambling, especially that funded using other forms of credit, as set out in Q8 below. These tools would also have far greater reach in supporting people to manage their gambling behaviour, beyond the use of credit cards, and would be effective in supporting people to manage their gambling behaviour with other forms of borrowed money, and also their own funds where they recognise this is problematic for them. Steps to further prohibit or restrict the use of credit cards for gambling are likely to be beneficial, but not enough alone to provide sufficient protection to consumers from the substantial harm associated with unaffordable gambling, and gambling funded by debt. We note that the Gambling Commission do not necessarily have sufficient powers to take wide-ranging action to tackle the harm associated with gambling on credit alone, and would encourage the Commission to work with other regulators, including the Financial Conduct Authority (FCA), and with Department for Media, Culture and Sport, to explore the potential for more holistic protections.

Q7. Do you have any comments on the potential pitfalls of prohibiting or restricting the use of credit cards for gambling?

While we are broadly in support of the proposed step of restricting or prohibiting the use of credit cards for gambling we believe that there are some risks associated with this approach. Investment in other user-led tools to help gamblers maintain control of their spending is also required to ensure that the restriction of credit cards for online gambling does not inadvertently lead to further harm elsewhere.

Restricting the use of credit cards may offer some friction for consumers who are gambling with this form of credit. The friction itself may serve in some cases to sufficiently interrupt the gambling pathway. However, prohibiting gambling on credit cards serves as an imposed barrier which can be relatively easily navigated around. Consumers with sufficient motivation to gamble, and/or who struggle to resist the urge to gamble and not act on impulse, will often find a way to circumnavigate the barrier, as is the case with existing self-exclusion mechanisms from specific gambling channels.

“I self-excluded for a year from all website...I went to the bookies and bet in person.” Expert by experience

We share concerns that many people will navigate their way around this barrier, by turning to other forms of credit, such as overdrafts, personal loans, payday lenders and other forms of informal borrowing such as loan sharks, or by withdrawing cash on credit cards to gamble with and incurring significant fees. These forms of credit may be significantly more expensive than borrowing on credit cards, and where lending falls into subprime categories, may also have serious negative

implications for a person's credit score. Even informal borrowing from family and friends is associated with significantly psychological risks.⁵

Where these other sources of credit are tied up with hefty interests fees and charges, that people experiencing the cognitive and psychological difficulties of mental health problems may struggle to understand, this exposes consumers to further detriment.

"Depression makes me think that nothing is ever going to be sorted I become reckless in spending, in taking out loans in gambling." Expert by experience

"My mental health condition means I gamble online when depressed. This makes me overdrawn on bank account and/or credit cards." Expert by experience

A further risk stems from the inability to prohibit gambling on credit cards completely while e-wallets allow people to transfer funds from their credit card to a gambling operator. This could undermine any attempt to prohibit online gambling on credit cards, and, if such action drives consumers to use these products, could also mean people incur further fees on these already expensive transactions for e-wallet usage - equivalent to banning credit card usage in bookmakers, but allowing a fee-charging ATM to be positioned onsite, meaning customers still gamble using credit but pay an additional fee for the privilege.

Q8. Do you have any evidence or suggestions for any measure that could act as an alternative to a prohibition on credit card use for gambling, and which could provide more effective protection to consumers who are at risk of harm due to gambling with money they cannot afford?

In response to the risks described in our answer to Q7, Money and Mental Health believes a balanced range of interventions should be considered alongside a prohibition on credit card use for online gambling, to help provide more effective protection to consumers who are at risk of harm due to gambling with money they cannot afford across a range of gambling channels.

1. Allowing customers to block their cards for gambling

Our research has consistently found that people with experience of mental health problems, often wish to set up protections for themselves when well, which would then support them when they

⁵ Braverman R, Evans K and Holkar M. Informal borrowing and mental health problems. Money and Mental Health Policy Institute. 2019.

are unwell.⁶ There is compelling evidence from our own trial of voluntary controls in a retail environment that relatively small amounts of added friction can play a significant role in reducing harm,⁷ particularly for people experiencing mental health problems who are more likely to struggle with impulse control.⁸

Most gambling transactions (with the exception of lottery tickets) are identifiable by banks using Merchant Category Codes. It is possible for financial services firms to allow customers to block these transactions, providing a self-exclusion option that applies to both online and non-remote based gambling without the need to navigate the current maze of self-exclusion regimes. As the Commission's own call for evidence recognises, these tools already exist and are offered to debit card users by Monzo, Starling and Barclays at present, with other banks expected to introduce similar tools soon.

The Treasury Select Committee's recent report on Consumers' Access to Financial Services, has already applauded the merchant category code gambling block by Monzo, and has urged all financial services providers to introduce self-exclusion gambling blocks.⁹ Extending these tools to credit cards and across all debit card providers could provide a helpful additional form of protection against debt-funded gambling across sales channels and venues, while also helping prevent gambling funded by other forms of debt such as overdrafts and payday loans.

However, the amount of friction built into these tools at present differs between firms, and may have a significant impact on their effectiveness. Further research is needed to assess what level of friction (e.g. delays between opting to disable the block and being able to spend on gambling again using the card) is optimum and ensure movements by financial services firms in this direction are as effective as possible in preventing gambling-related harm. Alternatively, regulators, government and financial services firms could consider bolder action to flip the default, blocking gambling on payment cards by default, and relying on users to turn it on if required. This could help overcome the main downside of these interventions at present, that they rely on voluntary action and so may be less able to reach customers who are less able to help themselves.

2. Operators could impose restrictions on the use of credit cards by their customers

⁶ Evans K and Acton R. Fintech for good: How financial technology can support people experiencing mental health problems. Money and Mental Health Policy Institute. 2017

⁷ Murray N. Shopper Stopper: An Evaluation. Money and Mental Health Policy Institute. 2017.

⁸ Holkar M. Seeing through the fog: How mental health problems affect financial capability. Money and Mental Health Policy Institute. 2017.

⁹ House of Commons Treasury Committee. Consumers' access to financial services. Twenty-ninth report of session 2017-19. May 2019.

While these interventions are likely to be less effective in preventing harm related to debt-funded gambling than a simple prohibition on gambling online on credit cards, they should be considered if this proves to be infeasible. The Gambling Commission may also want to consider requiring these restrictions to be extended to debit cards or e-wallet payments, to provide protection against a wider range of debt-funded gambling behaviours, and avoid the e-wallet workaround discussed in Q7.

3. Warning messages at the point of deposit to explain to the customer the risks of using credit cards.

As the Commission points out, information remedies in this form are not widely effective in changing behaviour. They are particularly unlikely to succeed in cases where debt-funded gambling is driven by increased impulsivity related to a mental health problem, which could undermine a person's ability to understand and process information. If prohibiting all credit card payments for online gambling is not a feasible option, a simple alternative for the Commission to consider would be for operators to decline credit cards by default, unless players have actively opted in to use them - at which point they could be presented with information about the risks of doing so. A delay between registering the credit card and being able to pay with it could also help provide a 'cooling off period' for a person to change their mind. Flipping the norm around credit card payments in this simple way could provide a neat, if not perfect, solution and add some useful additional friction to gambling on credit cards online.

4. Collaboration with the other regulators and government

Issues around gambling funded through credit cut across regulatory and government silos, and, as illustrated in our response to Q7a and the points made above in response to this question, the Gambling Commission alone does not have sufficient tools to address these challenges. Instead, to address issues holistically, the Gambling Commission will need to work in partnership with the FCA, exploring the steps that creditors should be expected to take to protect potentially vulnerable consumers and with DCMS to coordinate efforts to mitigate these harms.