



Consultation Paper

Use of credit cards for gambling transactions

The Australian Banking Association (ABA) is seeking community views on the use of credit cards for gambling. The consultation will assess community views about financial institutions allowing credit cards to be used for gambling and the role of banks in addressing these problems.

Issue

For many Australians, gambling is a form of entertainment and recreation. In the three months leading to December 2018 around half of all adult Australians gambled¹. Most of those who gamble do not experience harm². However, gambling can be a problem for some people, and there are many things which can exacerbate or minimise this harm.

Banks have introduced a range of initiatives to help customers better manage their financial arrangements and mitigate harms related to problem gambling – technology solutions such as customer directed blocks, tools to help customers track their spending, trained customer support teams and referrals to support services. Some financial institutions have blocked gambling on the credit cards they provide.

The issue of customers using credit products to finance problem gambling is a concern to ABA members. Access to credit for gambling can create a unique harm whereby large amounts of debt can be accumulated in a limited period. For people with a gambling addiction, a credit card can lead to severe financial stress for the individual and their family.

In the early 2000s Australian State Governments introduced bans on credit for gambling and cash advances on credit cards in casinos, on racetracks and gambling areas of licensed venues.³ Gamblers can still use most credit cards for online gambling, betting apps and purchasing lottery tickets.⁴

The use of credit to gamble is further compounded by the changing way in which Australians place bets. In 2018, 34% of Australians who gambled used the internet to place a bet, up from 16% in 2012. While only 20% of losses occur in the online environment (most losses occur at casinos and through gaming machines)⁵ the possibility for losses from problem gambling looms large.

Online gambling creates an environment in which people can gamble at any time, in any place, and in a 'cashless' way which can distance the person gambling from the money which is being spent. For those who experience problem gambling this can be a particularly dangerous set of circumstances. Australian research has found that: *"use of Internet gambling is more common among highly involved gamblers, and for some Internet gamblers, this medium appears to significantly contribute to gambling problems."*⁶

Indicative example of debt escalation

John accumulated \$30,000 debt from gambling on various credit cards over a few weeks, eventually reaching his credit limit. He paid minimum monthly payments of around \$650* for a year, which affected his ability to meet other expenses. Eventually he was unable to maintain the payments. His credit cards were cancelled, and one financial institution transferred his outstanding debt to a collections agency.

* <https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/credit-card-calculator>

¹ Roy Morgan Research (2019) Fewer Australians Gambling, Finding No. 7941, <http://www.roymorgan.com/findings/7941-gambling-participants-201904120606>

² Evershed, N. (2017) Problem gambling affects almost 200,000 Australians, survey shows, The Guardian, <https://www.theguardian.com/australia-news/2017/aug/02/problem-gambling-affects-200000-australians-survey-shows>

³ Appendix 1: State and territory approaches to credit in gaming venues

⁴ For a summary of where credit cards can be used for gambling see Appendix 2

⁵ Queensland Government Statistician's Office (2018) Australian Gambling Statistics, 35th Edition, 2016-17, <http://www.qgso.qld.gov.au/products/reports/aus-gambling-stats/>; more information in Appendix 3.

⁶ Gainsbury, S. M. (2015) Online Gambling Addiction: The relationship between internet gambling and disordered gambling, Current Addiction Reports, Vol. 2:2, pp: 185-193 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4610999/>



Credit products are intended to finance purchases, rather than provide ready access to cash. Under the terms and conditions of credit cards, gambling transactions are treated as cash advances as they are a cash equivalent. Cash advances attract a higher interest rate, an additional fee and are not eligible for interest free periods.

Restriction of credit cards for gambling

Over the past 20 years Australian governments have introduced several restrictions on the use of credit cards for gambling. These include:

- Australian state and territory governments prohibited access to credit in casino and gambling areas of licensed venues in the early 2000s⁷. This meant a person cannot use a credit card to gamble or withdraw cash from an ATM in gambling areas of licensed venues and casinos. When these reforms were introduced the online gambling did not operate in Australia.
- In February 2018 the Federal Government prohibited online gambling operators from offering credit to gamblers as part of the National Consumer Protection Framework for Online Wagering⁸.
- On 27 November 2019, the Federal Minister for Minister for Communications, the Hon. Paul Fletcher introduced legislation to establish the National Online Gambling Self-Exclusion Register.

In Australia some financial institutions do not permit gambling on credit cards⁹. Those financial institutions that restrict the use of credit cards for gambling do so by prohibiting payments made to gambling merchant category codes (MCC), a standardised four-digit classification allocated to merchant based on their primary business type.

Consultation questions

The ABA is considering options that may assist customers to minimise gambling related harm and the role of the banking industry in achieving this. The ABA would like to understand community views on the following questions:

- 1) What are the risks and concerns associated with gambling with credit cards?
- 2) Should the use of credit cards for gambling be restricted or prohibited?
- 3) If so, should the restriction or prohibition apply to all forms of gambling?
- 4) What are the potential consequences of prohibiting or restricting the use of credit cards for gambling?
- 5) Should there be a transition period if banks choose to implement changes relating to credit cards?

Responses

The consultation will begin on 5 December 2019 and finish at 5pm, 4 March 2020. Submissions can be emailed to Submissions@ausbanking.org.au.

The ABA requests that submissions make use of empirical evidence as far as possible.

A survey option is also available on the ABA website – <https://www.ausbanking.org.au/>

⁷ Productivity Commission (2010) Inquiry into Gambling, <https://www.pc.gov.au/inquiries/completed/gambling-2010/report/gambling-report-volume1.pdf> Further detail provided in Appendix 1.

⁸ Department of Social Services (2018) National Consumer Protection Framework for Online Wagering, https://www.dss.gov.au/sites/default/files/documents/11_2018/ncpfow-fact-sheet28-nov-2018-2.pdf

⁹ In Australia the financial institutions that do not permit gambling on credit cards are Macquarie Bank, Citibank, Suncorp, Bank of Queensland, Virgin Money and American Express.



Background

Current industry initiatives to reduce the risks associated with gambling

Australian banks have individually implemented a range of approaches to mitigate risks associated with problem gambling. Good practice interventions designed to help customers to minimise harm from problem gambling differ between banks and include a mix of:

- technology features such as customer-directed blocks on credit cards and scheme debit cards
- system frictions, e.g. time delays on removing self-exclusion blocks including the need to contact call centres during business hours. This can help give people time to reflect on their decisions and minimise the harm of impulsive decisions
- specialist support teams/staff to assist customers and refer to support services (e.g. National Gambling helpline, financial counsellors)
- tools to help customers track their spending and prompts such as sending a text message letting customers know what they are spending or reminding them that this transaction will attract a higher interest rate, and
- individual arrangements to help borrowers and co-borrowers manage their risk where a customer or their co-borrower indicates they are experiencing gambling harm and/or would like to restrict their access to gambling transactions.

The ABA is considering what good practices (like those listed above) can be adopted across industry to minimise harms from gambling.

Some banks and financial institutions have restrictions on the use of credit e.g. caps when a certain credit limit is reached, caps on cash advance amounts (which includes gambling transactions) and bans on the use of credit cards for gambling transactions (blocks on gambling merchant codes). These decisions must be made by individual banks and competition law prevents an industry association recommending the introduction of these measures.

Under the Competition and Consumer Act 2010, businesses are prohibited from reaching agreements or understandings about matters on which they compete, such as in relation to prices for products or services, the design features of those products and services, ability to offer a product or services, or arrangements for certain customers or others (e.g., suppliers, distributors, intermediaries). Similarly, discussions must not facilitate any form of cooperation or coordination with other businesses, whether or not with third parties (including government representatives, industry bodies and consumer groups).

International approaches

Legislative restrictions

In the reviewed jurisdictions (Singapore, United Kingdom, United States of America, Netherlands, Germany) the responsibility for problem gambling lies with licensed gambling operators, with conditions imposed as part of their license. All jurisdictions include a commitment for the operators to have policies and procedures in place to promote responsible gambling.

- Singapore has strongest additional conditions: gambling is limited to people aged 21 and over, all gambling operators must provide self-, family-, third-party and legal exclusion and advertising is limited. In addition, casinos must charge entry fees, remote (online) operators must provide daily funding and expenditure limits, and people may only enter 'jackpot machine rooms' once they have been a member of the club where the machines are located for 12 months.
- In the UK legislation is soon to be passed to limit the maximum stake on 'fixed-odds betting terminals' (the UK equivalent of pokies) from £100 to £2. The UK Gambling Commission is currently consulting on its plans to ban the use of credit cards for online gambling deposits, or to introduce limits or restrictions on the use of credit cards.



- American banks do not allow credit cards to be used for online gambling. A 2006 law prohibits banks and credit card companies from transferring payments between gambling companies and individuals, so most of the sites don't allow you to pay with credit cards (Unlawful Internet Gambling Enforcement Act 2006).
- To date, banks in the US and Canada have taken a conservative approach of denying payments to international online gambling operators. Dutch and German banks have been less conservative, authorising payments to unlicensed international operators, though Dutch banks have recently reached an agreement with the Dutch Gambling Authority to ban payments to operators that have been issued fines.

Bank-led interventions

Internationally, there are very few banks taking proactive approaches to deal with problem gambling. The UK is one of the only other jurisdictions where banks do have interventions in place. Like Australia, proactive steps include self-exclusion measures and banning payments to gambling merchant codes. Nearly all banks in the UK have introduced a self-exclusion block for credit, with some also introducing blocks on debit cards.

UK bank example

Within the UK, the greatest industry led innovation is taking place outside of the high street banks. Monzo, an online-only bank with 900,000 customers, uses customer spending data to proactively identify and offer support to people experiencing problem gambling. They are currently consulting on further measures for people who self-identify as having a gambling problem. These include:

- introducing a 30-day rolling gambling limit
- having a 'friend' authorise spending
- lowering limits on cash withdrawals
- providing a low balance warning, and
- setting money aside for bills.



Appendix 1: State and territory approaches to credit in gaming venues

Between 2001 and 2003 all Australian States and Territories have banned the use of credit in gambling venues.

State	Policy
Victoria	A venue operator must not allow a person to obtain from a cash facility in the approved venue or a cash advance from a credit account. ¹⁰
Queensland	All automatic teller machines installed in the licensee’s licensed premises are available only for the use of debit cards. ¹¹
New South Wales	A hotelier or club must not permit a cash dispensing facility to be used or to be installed or located in any part of the hotel or club premises if the facility is capable of providing cash from a credit card account. ¹²
Northern Territory	ATM and EFTPOS Facilities will have access only to debit accounts; access to credit accounts will not be permitted. ¹³
Tasmania	A casino operator must not allow a person to obtain, from a cash facility, a cash advance from a credit account. ¹⁴
South Australia	The holder of a gaming machine licence must not provide, or allow another person to provide, a cash facility within a gaming area on the licensed premises. ¹⁵
Australian Capital Territory	A hotelier or club must not permit a cash dispensing facility to be used or to be installed or located in any part of the hotel or club premises if the facility is capable of providing cash from a credit card account. ¹⁶
Western Australia	In the gaming areas of the Casino EFTPOS is only to be used to access savings or cheque (not credit) accounts in accordance with relevant legislative and regulatory requirements, and subject to transaction limits. ¹⁷

¹⁰ Victoria: Gambling Regulation Act 2003 & <https://www.vcglr.vic.gov.au/news/access-cash-gaming-venues-changes-now-effect>

¹¹ Gaming Machine Regulation 2002 & <https://www.publications.qld.gov.au/dataset/202496ee-ba88-479a-9c8e-7dc765133f21/resource/dece28ad-7bdd-4ecd-8ad7-b1af7d5e84ac/download/qld-responsible-gambling-resource-manual-hotels.pdf>

¹² Gaming Machines Act 2001.

¹³ Northern Territory Code of Practice for Responsible Gaming.

¹⁴ Responsible Gambling Mandatory Code of Practice for Tasmania &

<https://www.treasury.tas.gov.au/Documents/Responsible%20Gambling%20Mandatory%20Code%20of%20Practice%20for%20Tasmania.PDF>

¹⁵ Gaming Machines Act 1992

¹⁶ Gaming Machines Act 2001.

¹⁷ Crown Perth Code of Conduct (gaming machines are only available in the Casino).



Appendix 2: Where credit cards can be used for gambling

	Current state (based on current regulatory requirements)
Online and betting apps (facilitated by Tabcorp and Responsible Wagering Australia members)	Credit cards – Yes In February 2018 the Federal Government prohibited online gambling operators from offering credit to gamblers as part of the National Consumer Protection Framework for Online Wagering
Poker machines (in clubs and licensed venues)	No credit cards or access to cash advances through ATMS in gambling areas (see appendix 1 for details)
Casinos	No
High roller rooms in casinos	Casinos extend lines of credit from their own credit facilities to their customers in VIP rooms, but they do not provide credit cards in those areas
On-track – horse racing and greyhound racing	No credit cards or access to cash advances through ATMS in venue
Lottery tickets/online and in-venue	Credit cards – Yes
TAB outlets	Credit cards – No



Appendix 3: Data on gambling expenditure, 2016-17

Type of gambling	Value (\$ million)	% of Total
Bookmaker and Other Pool Betting Expenditure	\$0.0	0%
Off-Course Bookmaker Expenditure	\$0.1	0%
TAB Tote Odds Expenditure	\$5.9	0%
Bookmaker and Other Fixed Odds Expenditure	\$476.6	2%
TAB Fixed Odds Expenditure	\$579.4	2%
Lotto-Tattslotto Expenditure	\$1,764.1	7%
TAB Expenditure	\$2,102.7	9%
Total Online-Gambling Expenditure	\$4,928.9	21%
Pools Expenditure	\$5.8	0%
Minor Gaming Expenditure	\$34.4	0%
On-Course Totalisator Expenditure	\$41.8	0%
Lottery Expenditure	\$44.7	0%
Instant Lottery Expenditure	\$186.9	1%
Keno Expenditure	\$356.8	2%
On-Course Bookmaker Expenditure	\$1,168.1	5%
Casino Expenditure	\$4,790.0	20%
Gaming Machines Expenditure	\$12,136.2	51%
Total Offline-Gambling Expenditure	\$18,764.7	79%
Total Gambling Expenditure	\$23,693.7	100%

Source: Queensland Government Statistician's Office, Australian Gambling Statistics, 35th Edition, 2016-17, Released October 2018

Notes: These figures relate to the net amount lost or, in other words, the amount wagered less the amount won, by people who gamble. Conversely, by definition, it is the gross profit (or gross winnings) due to the operators of each form of gambling; The category 'offline-gambling expenditure' is based on a conservative estimate of all gambling that could not take place online. Everything not categorised as offline-gambling is included in 'online-gambling expenditure'. Where there is debate as to whether gambling can occur online or offline it has been classified as online. This is to capture the greatest amount of spending in an online environment.



Appendix 4: Break down of expenditure and government revenue by gambling type, 2016-17

Type of gambling	Expenditure (\$m)	Expenditure %	Gov. revenue (\$m)	Gov. revenue %
Sportsbetting	\$1,062.0	4%	\$0.0	0%
Racing	\$3,312.7	14%	\$177.8	3%
Gaming	\$19,318.9	82%	\$5,724.3	96%
	\$23,693.7	100%	\$5,939.1	100.0%

Source: Queensland Government Statistician's Office, Australian Gambling Statistics, 35th Edition, 2016-17, Released October 2018

Note: 'Gaming' includes Lottery which can be bought online or purchased with debit or cash at retail outlets. Publicly available data for 2016-17 does not distinguish between government revenue acquired through Lottery and Gaming Machines. However, in 2015-16 government revenue from lotteries was \$1,469.6 (\$m). ¹⁸Based on a similar figure for the 2016-17 year this would account for 25% of all government gambling revenue. Based on this, offline gambling would account for a minimum of, but likely much more than, 72% of all revenue government receives from gambling.

¹⁸ Australian Gaming Council (2018) A guide to Australasia's Gambling Industries,
https://www.austgamingcouncil.org.au/system/files/AGCPublications/AGC_DB_5_F2017_0.pdf