



Report Summary

The Role of Credit Cards in Gambling

What this report is about

As part of the National Strategy to Reduce Gambling Harms, the Gambling Commission (GC) has announced a ban on the use of credit cards to gamble, effective April 2020. The Gambling Commission's commitment to evaluating the outcome of a credit card ban will ensure strategy partners gain a comprehensive understanding of the ban's impact on reducing harms, including unintended positive or negative consequences.

Credible, proportionate, and transparent evaluation requires a robust understanding of the best available evidence. This rapid evidence review (RER) was commissioned to help inform the evaluation of the ban. The RER summarises the literature on the use of credit for online and land-based gambling as well as leverages United Kingdom (UK) data on the current use of credit cards for gambling to help contextualize the evidence.

What was done?

The purpose of the RER was to explore and summarize evidence related to:

- The relationship between the use of credit cards and gambling-related harms
- How credit card use compares to use of other forms of credit for gambling
- Motivations to use credit cards for gambling
- Existence and evaluation of any bans or restrictions on credit card use in other jurisdictions
- Possible unintended negative consequences of a credit card ban or restriction

Academic evidence and grey literature related to credit card use and gambling harm published between 1999 and 2019 were included in the review (n=118 publications).

To help contextualise credit card spending on gambling in the UK, the Remote Gambling Association (RGA) provided the Gambling Commission with data on online deposits using credit cards and other payments. Additionally, findings from the Gambling Commission's online tracker, which consists of a nationally representative sample of approximately 2000 UK adults over the age of 18, were also reviewed.

Why credit card use may cause harm

Credit cards offer easy access to cash for gamblers. They can be used to engage in gambling directly (e.g., online gambling), to access cash advances from cash machines, or to deposit funds into eWallets, PayPal, or other third-party accounts.

This easy access to credit may facilitate gambling debts and associated harms. Additionally, the use of credit cards may limit time for reflection on spending by reducing natural breaks in play that typically occur when funds run out and need to be replenished (i.e., via a visit to an ATM).

Profile of gamblers who use credit

- **Men** may be more likely to borrow money from banks and credit cards to fund gambling.
- People with **lower levels of education** may be more likely to borrow from credit cards and loan sharks.

- **Older adults**, especially those at risk of problem gambling, may be more likely to borrow money to gamble via their credit card.
- **Youth and young adults**, who are new to the financial freedom that credit cards can seem to offer, may also be susceptible to using credit cards to gamble.

Credit card use and problem gambling

Borrowing money via a credit card is relatively common among problem gamblers. Money borrowed may be used to fund gambling directly or to pay off gambling debts.

People with gambling problems are more likely to:

- Obtain multiple credit cards and pay off credit debt with credit, until all forms of credit are exhausted.
- Use credit cards to access cash advances.
- Use their credit card more than once per session (in a land-based venue).

Credit use may be particularly problematic in online gambling environments, because digital cash (electronic versions of money) can feel less like 'real' money, leading gamblers to spend more and allowing them to avoid a sense of personal responsibility for debt.

Easy access to credit, especially combined with the use of digital cash and a lack of assisted betting limits, may facilitate problem gambling behavior (e.g., chasing losses). Credit cards may also contribute to a false sense of financial stability, if players can access more credit to cover costs as needed. However, some evidence suggests people with gambling problems may actually avoid using credit cards, because card activity statements require them to revisit and confront their losses.

Credit card use and harms

Problem gambling rates are only one way to measure the harms related to gambling. Other financial, relationship, and health-related harms extend from

credit card use for gambling, impacting gamblers and affected others.

Financial harms

Financial harms from gambling impact the entire household, and people from less affluent households may be less able to protect themselves against financial vulnerability related to credit use.

Gambling with credit cards, particularly in an online environment, can lead to high-volume betting, accumulation of large debts, and a loss of control.

Credit card use among gamblers has been linked to increased rates of bankruptcy. Credit card fraud and gambling are also consistently connected in the literature, particularly in the case of unauthorized use of credit cards for online gambling by young people.

Relationship harms

Debt may lead a gambler to lie and deceive those around them, which may in turn lead to relationship harms. Gamblers may accumulate significant debt in a loved one's name, which can lead to anger and unhappiness for both the gambler and the affected other.

Health-related harms

Gambling debt may also lead to health-related harms, such as depression.

Unintended consequences of banning credit card use for gambling

Banning the use of credit cards may lead gamblers to access high-interest or illegal credit alternatives to fund their gambling. It could also encourage gamblers to seek unregulated, offshore gambling options, undermining all other harm minimization efforts.

Jurisdictional scan

Across jurisdictions (not including Great Britain), bans and restrictions take the form of:

- Financial institutions banning or limiting the use of credit cards for online gambling.
- Credit card holders blocking gambling transactions.

- Limitations on the use of credit cards at land-based venues.
- Efforts to prevent using credit card payments in connection with illegal gambling.

No jurisdictions have implemented a complete ban on the use of credit cards for gambling, making Great Britain's ban the first of its kind.

Second to Great Britain, New Zealand and Australia have the most broadly implemented restrictions on the use of credit cards to gamble online compared to other jurisdictions. At the time of the review, the Government of New Zealand is exploring whether to block credit card use on gambling websites that are not licensed in New Zealand, or to ban the use of credit cards for online gambling altogether.

UK Context

Remote Gambling Association Member Data

Twelve members of the RGA provided data on credit card deposits for online gambling made in February 2019, which revealed the following findings:

- Those who use credit cards and at least one other payment method to gamble online (i.e., multiple payment methods) may be spending more and be at greater risk of credit card debt.
- The majority of online gamblers who use a credit card (86%) deposit less than £100/month.
- Deposits under £100 made by a credit card make up (96%) of all deposits.
- The data suggest that online gamblers are generally making multiple credit card deposits (transactions) per month.
- Multiple, monthly deposits incur multiple transaction fees, which can increase the level of debt accrued.
- Credit card users represent 19% of all responsible gambling (customer) interactions.

Gambling Commission Tracker Data

The results of analyses of GC tracker data were limited to those who had reported gambling online in the past 12 months (1019 out of a possible 2093 respondents). Analysis of the tracker data for online gambling suggests that:

- Those most likely to use credit cards are young (18-44), male, work full-time, own their own home with a mortgage or a loan, and are from the AB social class (upper/middle social class).
- Those who use credit cards or another form of credit to gamble tend to have a broader repertoire of gambling activities.
- Compared to all online gamblers, those who gamble using a credit card or another form of credit are more likely to gamble daily.
- Compared to credit card users, those who gamble with other (non-credit card) forms of credit are more likely to demonstrate especially problematic behaviour such as gambling on more activities, gambling more frequently, and greater use of mobile technology.
- Those who gamble with other (non-credit card) forms of credit are also more likely to be classified as problem gamblers, be younger, are more likely (than credit card users) to be female, and less likely to own their own home outright (suggesting they may not have similar access to credit).
- Gamblers who borrowed from friends and family were more likely to gamble in person (as opposed to online), and demographic differences suggest they exist within the DE social class (semi-skilled, unskilled, non-working social class). It is possible that they may lack access to traditional forms of credit or have exhausted existing formal forms of credit, encouraging them to rely on more informal options.

Implementation Considerations

There are logistical issues with banning the use of credit cards for online gambling, including:

- Operators should be prohibited from referring customers to other lenders and sources to pay off gambling debts.
- Some providers may try to bypass credit card restrictions by disguising credit card transaction codes.
- Regulators may limit the effectiveness of the intervention by only blocking certain transaction codes.
- Use of credit cards (as opposed to other unsecured loans) may offer the benefit of a predetermined limit that can help reduce spending.
- Credit card bans could inconvenience customers who purchase lottery products by forcing them to pay for purchases with different methods of payment.

Discussion

Overall, there is moderate evidence to suggest that credit card use is related to gambling harm and the direction of the relationship is not clear.

Research in this area is relatively sparse and some specific gaps were identified. There were no studies captured that specifically looked at player motivations to use credit cards to gamble. Additionally, there are no studies or reports comparing different types of borrowing and their impact on harm, or evaluations of limits or restrictions on credit card use for gambling.

This rapid evidence review helped inform the evaluation of a credit card ban by pointing to the following considerations that could influence the expected outcomes and proposed causal mechanisms:

- Permitting eWallets while restricting or banning credit cards may undermine effectiveness.
- A land-based-only intervention may be relatively ineffective if gambling online with credit cards remains unimpacted.

- Sources of harms may simply be transferred; for example, a gambler may move from using a credit card to higher-risk forms of borrowing.

The cost or difficulty of enforcing the restriction/ban may reduce financial institution and merchant compliance, and the intervention's effectiveness.

Limitations

One limitation of the current rapid evidence review is that it did not specifically target literature surrounding the use of cash machines to gamble. Given that players can use their credit cards at cash machines, there is the possibility that the location and ease of access to cash machines (e.g., on or near the gambling floor) could entice gamblers to go into overdraft or take out a cash advance on their credit card.

Furthermore, due to the time restrictions of a rapid review and the lack of evidence on this topic, assessments of risk of bias and quality of evidence of the quantitative and qualitative papers were not included.

References

Full references can be found in the full report posted on greo.ca.

Gambling Research Exchange (GREO)

Gambling Research Exchange (GREO) is an independent knowledge translation and exchange organization that aims to eliminate harm from gambling. Our goal is to support evidence-informed decision making in responsible gambling and policies to reduce harm from gambling. Learn more about GREO by visiting greo.ca or emailing info@greo.ca.