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Exploring gambling patterns that may contribute to failure to pay back loans

What this research is about

Over-indebtedness occurs when a person is too deeply in debt and cannot pay back their loans. Being in debt can lead to poor mental and physical heath, even with traditional loans like house mortgages. Modern technology has allowed for rapid transactions and can increase the risk of over-indebtedness. Short-term loans and credit card debts are more common among people with financial difficulties. These types of loans may contribute to a vicious cycle when people use them to pay for other debts and interests.

Problem gambling is a public health challenge in many countries. Its early detection is important to prevent the escalation of negative impacts from gambling. People with problem gambling typically face debts and financial difficulties. Therefore, failure to repay loans may provide a potential way for the early detection of people with problem gambling.

This study explored if specific gambling-related transactions and patterns would predict the failure to repay loans. The goal was to see if this could be used as a way to detect problem gambling. The researcher analyzed a large dataset of loans and gambling-related bank account transactions from Sweden.

What the researchers did

The researcher obtained data from Instantor AB, a company in Sweden that offers risk management models to banks and similar financial institutions. The dataset included 20,750 Swedish adults who had taken out at least one loan from a financial institution during 2015–2018. There were 48,197 loans in total. Thus, 20,750 were primary loans (the first loans during the study period). The rest were subsequent loans taken out at a later time.

What you need to know

People with problem gambling often experience negative financial consequences. They may get loans and not be able to pay them back. Thus, a failure to repay loans may provide a way to detect problem gambling. In this study, the researcher examined a large dataset involving 20,750 Swedish adults who had taken out at least one loan from a financial institution. The aim was to explore if specific gambling-related transactions and patterns would predict a failure to pay back loans.

The results revealed that making deposits to a gambling account or having withdrawals made by a gambling operator did not predict failure to repay loans. A short-term but intense gambling pattern was a risk factor. Specifically, people who made repeated gambling deposits within a short period of time were more likely to default on their loans. Such a pattern might be a sign of loss of control over gambling and contribute to a failure to pay back loans.

Data included the amount of loan granted, self-reported income, monthly spending and debt amount. Gambling data included deposit of money into a gambling account or withdrawal made by a gambling operator in the past 30, 90, and 180 days.

The researcher examined if a loan was defaulted (i.e., not paid back), or defaulted and later recovered. The researcher also looked at if the individual made any gambling-related transaction before and after taking out a loan. Intense gambling within a short period of time might indicate a loss of control, a well-known sign of problem gambling. Therefore, the researcher examined if the individual had made at least three deposits into a gambling account within three days in a row in the past 30, 90, and 180 days.

The researcher compared people with defaulted loans and those who did not default on their loans. A comparison was also made between people with defaulted/recovered loans and those who did not default on their loans. The researcher then explored if specific gambling-related transactions and patterns would predict having defaulted or defaulted/recovered loans.

What the researchers found

About one-third of people had made at least one gambling deposit in the past 30 days before taking out a loan. The proportion of people with gambling deposits increased to 42% for the past 180 days.

One-quarter of people had at least one defaulted loan. About 40% of people had defaulted and then recovered loans. People were more likely to default on their primary loans than on subsequent loans. Primary loans were also more likely to be defaulted and then recovered than subsequent loans.

People who made at least one gambling deposit in the past 180 days were just as likely to default on their loans as people who did not. The same result was also found for withdrawals made by a gambling operator. Therefore, the frequency of gambling deposits and withdrawals did not predict if people defaulted on their loans or not. Gambling deposits and withdrawals also did not predict defaulted/recovered loans.

Short-term but intense gambling pattern was a risk factor for failure to pay back loans. Specifically, people who had made at least three gambling deposits within three days in a row were more likely to default on their loans. This result suggests that repeated gambling deposits within a short period of time might be a sign of loss of control and contribute to failure to pay back loans.

How you can use this research

This study lends support for the screening of problem gambling among people who seek financial counselling. It also shows that the gambling industry can take an active role in screening their customers for problem gambling. For instance, gambling operators could identify customers with an intense pattern of gambling that may indicate loss of control. Interventions could then be provided to those customers to prevent further gambling problems.

About the researchers

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About Gambling Research Exchange (GREO)

Gambling Research Exchange (GREO) has partnered with the Knowledge Mobilization Unit at York University to produce Research Snapshots. 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 safer gambling policies, standards, and practices. The work we do is intended for researchers, policy makers, gambling regulators and operators, and treatment and prevention service providers.

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