

# Mapping a 'theory of change' for the Gambling Credit Card ban

## Introduction

Following a national consultation, the Gambling Commission introduced a sector wide ban on the use of credit cards for gambling across Great Britain. The prohibition will extend pre-existing restrictions prohibiting or affecting the use of credit cards from some forms of land-based gambling activity to all online and land-based gambling<sup>1</sup>. The ban came into effect on 14 April 2020.

The Commission proposes to establish an evaluation of the impact and effectiveness of the ban. To steer the development of this, the Commission has set up a small Evaluation Steering Group<sup>2</sup> to guide its scope and focus. Recognising the challenges of being able to unpick the cause and effects of the ban, the Commission has developed a *Theory of Change* (ToC) for the initiative<sup>3</sup>.

Public bodies and others now often develop ToCs to provide a working model of what is expected of new policies or initiatives and how they are likely to work. For the Commission, the ToC will also act as a reference framework for the design of the evaluation and for evidencing what has worked well (or less well) from the ban.

## Background to the ToC

The theory of change' (ToC) sets out the circumstances surrounding the credit card ban and is summarised below. This shows its aspirations and how it is expected to work, the aspirations for the ban and *explicit* and *implicit* assumptions which underpin it.

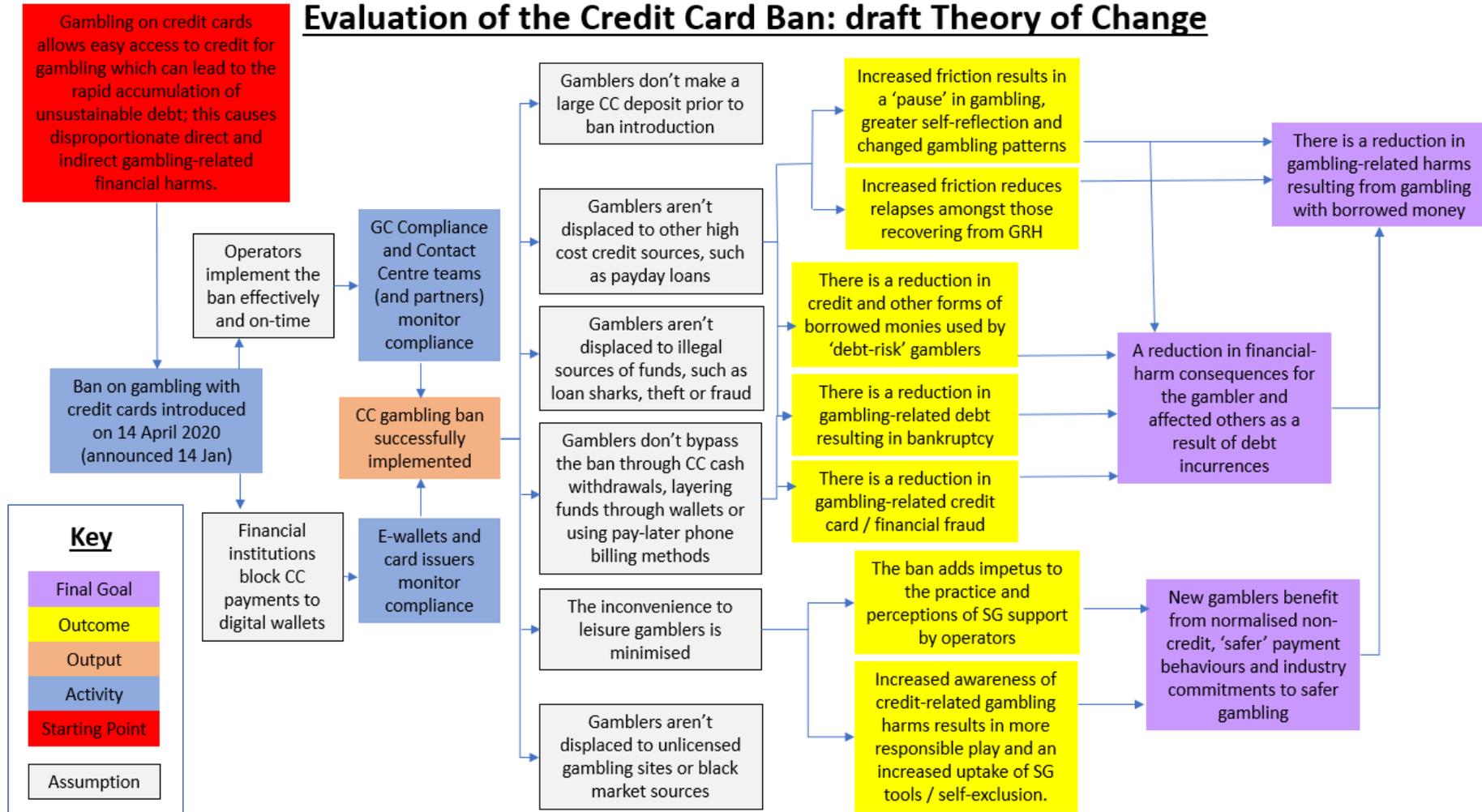
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<sup>1</sup> The only exception will be where lottery tickets and scratch-cards are bought face-to-face or by postal payment.

<sup>2</sup> The Evaluation Steering Group has been drawn together to provide guidance and oversight to the Commission on the necessary focus, scope and resourcing of an evaluation. It consists of selected Commission staff and external representatives from Citizens Advice, the Illegal Money Lending team, Leeds Beckett University, StepChange, and the Money and Mental Health Policy Institute.

<sup>3</sup> The ToC has been developed with the Working Group over several weeks, informed by earlier research and the evidence from the national consultation and has also taken into account further comments from a number of stakeholders including gambling industry representatives.

## Evaluation of the Credit Card Ban: draft Theory of Change



The ToC goes further than a 'logic' model, and provides a more comprehensive *framework* for looking not just at how much and how well it is working (against expectations) but also if the founding assumptions and expectations were sound (and if they need to change). This 'framework' looks at each of:

- The **context** (starting point) within which the ban will be introduced
- The causal **mechanisms** (activity) which the ban is expected to address
- The **expectations** (outcomes/final goal) of how the ban will bring about change and its outcomes
- The **assumptions** underpinning how it is expected to work and its effective implementation
- The likely disruptive **risks** which might circumvent or reduce the effectiveness of the ban.

A starting point has been to look behind the aims of the credit card ban to see how the ToC will help to better understand the effects and effectiveness of this important regulatory change. This also sets out the evidence we have drawn on to help develop, and refine, the ToC framework.

## Aspirations of the ban and the Theory of Change

The credit card ban, resulting from the Commission's [Review of Online Gambling](#) published March 2018, aims to reduce gambling-related harms resulting from gambling with borrowed monies. More specifically, it is expected to constrain the ability of at-risk and problem gamblers to incur unsustainable levels of gambling debt by, for example, maximising borrowing up to the spending limits on their credit cards. Evaluating the ban will consequently need to focus on changes after April 2020 in payment and borrowing practices for gambling activities, especially among at risk gamblers, as well as a range of impacts including changing levels and nature of incurred debts and effects.

This will need to go beyond unpicking a straightforward cause and effect since many factors not directly related to credit card use may affect changing behaviours and the outcomes. Because of this, the evaluation will not lend itself to a randomised control trial or other forms of 'experimental' evaluation designs. While the Commission is not presuming the precise approach needed, it recognises that the evaluation will have to be able to take account of these complex, and often uncertain, cause-effect relationships if it is to be successful.

The evaluation will consequently need to be framed around the assumptions expected to shape the effectiveness of the ban in meeting its aims. This may include being able to identify and assess changing behaviours, especially among problem and at risk gamblers, including the use of unanticipated alternative sources of credit. The ban may also have unintended consequences, such as changes to gambling activity or intensity including for recreational gamblers, which are difficult to anticipate but which also need to be taken into account to give a rounded view of its impacts and how these came about.

A 'theory of change' (ToC) is the starting point for this and the likely cornerstone of the subsequent evaluation. To provide for this 'testable rationale', the ToC sets out the *Context – Mechanisms – Expectations - Assumptions* (CMEA) profile of the credit card ban. To this is added the known or likely risks to the effective working of the ban, such as at risk gamblers gravitating towards payday loans and overdrafts as new forms of credit. The ToC framework which follows has been able to draw on feedback from the public consultation on the proposed ban held by the Commission and subsequently on a preliminary draft of the ToC. It has also been informed by a commissioned [Rapid Evidence Review \(RER\)](#)<sup>4</sup>, and a series of discussions within the Evaluation Steering Group. After the evaluation commences, we expect emerging evidence will further refine the framework.

## Context (starting point)

Credit cards provide a convenient means of borrowing money to fund gambling and can facilitate high levels of gambling debt. The evidence from the RER conducted for the Commission suggests a relationship between increased credit card use and increased gambling problems. However, the RER also cautions that available research and other evidence is fragmented and as yet can tell us little about the exact nature and direction of causation.

The RER also shows various credit related restrictions have been introduced outside the UK<sup>5</sup> although full prohibition on credit card use as a regulatory measure is unusual. Where other forms of restriction have been applied there is a lack of robust evaluation evidence to show effects. However, what evidence is available suggest that a ban may have unintended effects and in particular the risk of substitution of credit card use with other forms of borrowing, such as overdrafts, unsecured high cost loans, or illegal activity to raise funds for gambling in lieu of credit cards. Put together, the evidence shows the importance of an integrated approach to credit card prohibition which requires working closely with both the financial institutions and gambling operators to create policies that are realistic and feasible and avoid circumvention.

Britain has seen some existing restrictions on the use of credit cards for gambling which include, in particular:

- Established bans on the use of credits cards for some forms of gambling, notably for all gaming in casinos, bingo halls and arcades, and also for retail (direct over the counter) sales in licensed bookmakers (unless the customer holds an account with the bookmaker). These involve bans on the use of credit cards in particular types of gambling premises and do not cover all land-based gambling, or online gambling.

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<sup>4</sup> Conducted by GREO between September and December 2019. Evidence here is drawn from a draft final report.. GREO has published the [full version](#) of the report and a [plain language summary](#) on its website.

<sup>5</sup> For example: financial institutions banning or limiting the use of credit cards for online gambling, voluntary blocking of card use for gambling transactions, limitations on the use of credit cards in high value gambling activity including casinos, restricting the number of payment options that can be used simultaneously and setting and enforcing maximum spend limits.

- Some credit card providers already (prior to 14 April 2020) banned or restricted the use of their cards for payment for gambling, including American Express but also some retailer credit cards (eg Asda credit cards which are issued by Creation Financial Services Ltd).
- Non regulatory and usually voluntary restrictions on credit card use for gambling activities such as the use of blocking software. This includes financial institutions, including the clearing banks, providing for customers to voluntarily add or remove gambling restrictions on their accounts to block transactions made to gambling related merchants. Such restrictions are applied individually to both credit and debit cards held in the customer's name (but not on behalf of any other party) and would include digital wallet transactions (eg Apple Pay, Google Pay or Samsung Pay). The restrictions are voluntary and can be removed by the customer at any time although most are subject to a cooling off period (e.g. 24 or 48 hours).

Against this background, the ban has been introduced as a 'levelling up' of some existing prohibitions and extending them to cover virtually all GB-based gambling.

### Causal mechanisms (activities)

The evaluation of the ban will need a sharp focus on the likely causal mechanisms of how credit card use (currently) extends gambling harms, to better understand the effectiveness of credit card prohibition. In this context, the direct harms are about incurring greater levels of debt than can be sustained through the financial resources of the player. These in turn can cause a wide range of indirect harms to gamblers and affected others<sup>6</sup> resulting from the debt.

The evidence suggests that credit card use may only directly fund a small proportion of UK gambling activity (by value) but has disproportionate effects of harm for gamblers who are experiencing problems with their gambling behaviours. How this comes about – the causal mechanisms – are not absolutely clear. The RER shows that *proof* of the relationship between credit card use and raised levels of harms for those gamblers is limited. However, we can make some reasonable assumptions that the harm (causal) mechanisms centre on:

- The ease by which credit cards can be obtained and used to gamble, including by those who may be at risk of using a large proportion of their credit facilities such that they incur unsustainable levels of debt.
- The large amounts of easily incurred credit that can be accessed through credit cards and the consequent potential levels of debt to be incurred.
- Credit cards being a payment mechanism that can facilitate continuous play without natural breaks.

Looked at in this way, the *cause* part of the cause-effect chain seems likely to involve:

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<sup>6</sup> Those that have been negatively affected by a gambling problem of someone else.

- Easy access to payment for gambling through credit cards may allow gambling harms to persist or intensify.
- This easy access can cause direct and indirect harms by increasing the risk that unsafe gambling practices can put the gambler into levels of incurred debt beyond that which they can easily repay.
- This debt can accumulate faster than through other payment methods especially in quick-turn around and large volume gambling activities.

In terms of *effects*, harms are not limited to the direct consequences of unpaid incurred debt. Indirect effects include effects on affected others and are likely to include:

- Relationship harm
- Loss of employment and earnings
- Loss of agency including from credit agency and related restrictions
- Health related harms, primarily poor mental health
- Recourse to illegal activities including theft and fraud.

Another causal influence is that these and other harms are likely to be intensified where gamblers already have financial problems. This may include individuals who are experiencing problems with their gambling having already increased (optimized) their degree of borrowing from other sources to fund their gambling, including unsecured loans, pawning, and from illegal money lenders (loan sharks).

### Expectations (outcomes/final goals)

The underlying expectation of the introduction of the ban is that it will achieve a step change in the reduction of harm from credit-based gambling, and especially for gambling related debt. There is no explicit expectation that it would reduce the overall levels of low-risk, moderate-risk or problem gambling according to the PGSI. In fact, some of those experiencing the highest levels of gambling-related harm may already not be able to hold credit cards due to persistently poor credit ratings, and as such the ban is unlikely to directly impact them.

Instead the expectation is that banning credit cards would have most effect on gamblers with impulsive or compulsive behaviours who systemically or occasionally resort to gambling through credit cards. Some will be at risk of generating levels of personal debt which may become unsupportable, or otherwise put the individual into medium or long term gambling-related debt with consequent negative impacts. The ban may also prevent those currently experiencing lower levels of harm from similar impulsive credit card gambling which might otherwise lead them to experience greater levels of harm.

Reducing harm effects from debt in this way was expected to mean that more gambling activity was conducted affordably. More specifically, the regulatory ban was expected to:

- Cause a change in payment and gambling behaviours so that more gamblers gambled safely and were less likely to incur debt related harms.
- Increase the safety of payment behaviours for gambling, because of the ‘frictions’ which a credit card ban is expected to introduce into the process of individuals securing and using credit to fund gambling.
- Reduce credit card related financial fraud associated with some compulsive gamblers.
- See a net reduction in the overall levels of credit, and any other forms of borrowed monies, used by the cohort of gamblers who previously used credit cards to generate unsustainable debt.
- Have a preventative effect on new adult gamblers using credit to support unsafe gambling behaviours, especially among young adults. In particular, the ban would be normalised among those potential future gamblers who are about to turn 18, as they would not have experienced anything other than a ban.
- Reduce levels of relapse among those recovering from gambling compulsion or other unsafe gambling practices, by reducing access to ‘easy’ credit which could otherwise facilitate relapse.

In addition, it was expected:

- There would be measurable evidence of a reduced incidence of gamblers experiencing credit related gambling debt from unsafe gambling practices.
- There also would be measurable evidence of a reduced incidence of gamblers experiencing other credit related financial harms such as bankruptcy.
- More gamblers experiencing problems with their gambling could become aware of the harms from their gambling behaviours and register for single or multiple operator self-exclusion schemes (*NB. an indirect but nonetheless important expectation*)
- There could be a greater impetus to the practice and perceptions of safer gambling support by operators.

It was also expected that the ban would involve minimal disturbance to ‘safe’ gambling practices among recreational or leisure gamblers.

## Assumptions

There are various ‘assumptions’ which appear to underpin the expected effectiveness of the ban. These can be loosely grouped into three separate but inter-related groups of working assumptions:

- **Start-up assumptions** related to operator and other preparations for the ban to be effective from 14 April
- **Technical**, mainly systems orientated assumptions

- **Assumptions** about changes to behaviour for gambling payment practices (ie needed to underpin the ban achieving its desired effects).

**Start-up assumptions:** It is assumed that operators within the regulatory remit in Britain will:

- Appropriately adapt and modify their systems to ban payment by credit cards.
- Organise and facilitate any dependencies on payment processors, so that the ban could be implemented for the start date.
- Organise and implement any required changes to client terms and conditions (eg for accounts) and associated pre-ban communications with customers.
- Communicate the start of the ban, and how it will affect gambling payments, to all their customers in ways which minimise disruption to their customers
- Communications with customers about the credit card ban will also be safe and reliable i.e. they will not increase the potential for those at risk of harm seeking alternative forms of credit risks that would circumvent the ban.
- Operators will be motivated to ensure that the start-up requirements are in place and working, because of the combination of potential enforcement action and reputational harm.

**Technical assumptions:** Payment service providers will be able to distinguish (and block) credit card payments for in-scope gambling related merchant category codes and will put in place any technical or capacity adjustments necessary to ensure compliance. This may require that:

- Gambling premises will be able to distinguish between credit card payments for gambling activity and the use of credit cards for non-gambling purchases such as food and beverage available on the same premises<sup>7</sup>.
- Adjustments through merchant category codes will also be able to identify any credit card payments to society lottery operators (e.g. credit card payments for continuous payment authorities to participate in lottery prize draws) distinct from the use of credit cards for any non-gambling services provided by the society.
- Financial institutions that formerly facilitated credit card payments for gambling will also be able to put in place, and communicate to credit card holders, the necessary changes to terms and conditions for consumers and within the required notice period (2 months as required by Payment Services Regulations)
- Adjustments will also be made by financial institutions to ensure that credit card payments into digital wallets are also blocked, including transactions by credit cards through intermediary processors such as Apple Pay, Google Pay or Samsung Pay.

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<sup>7</sup> With the exception of National Lottery products purchased in supermarkets or newsagents at the same time as non-gambling goods.

**Behavioural assumptions:** Gamblers will experience a reduction in harm effects from credit-based gambling activity by:

- Gamblers currently using credit cards for all or some of their gambling activity will change their behaviour to use cash funds or other forms of payment not dependent on borrowing.
- Behaviour change among compulsive or impulsive gamblers currently using credit cards will be influenced by the increased *frictions* brought about by a credit card ban (ie removing their ability to use credit cards may help to introduce a ‘pause’ in the gambling experience)<sup>8</sup>.
- Gamblers using credit cards will not substitute other forms of payment for gambling which involve illegal sources of funds including through theft, loan sharks or fraud.
- Gamblers using credit cards will also not switch from regulated land-based or online operators to *black market* sources (such as online gambling sites which are not licensed to provide online gambling facilities in Britain<sup>9</sup>)
- Inconvenience caused by the credit card ban for leisure gamblers will be minimised with little or no disruption to their gambling activity.

It is also assumed that the ban may have little or no effect on some highly compulsive and problem gamblers who already have substantial unsustainable debt (i.e. those who have had their credit cards blocked by their card issuers, or by gambling operators, or who cannot otherwise access credit cards due to a poor credit rating). It is recognised that some other problem and compulsive gamblers will always find a way to raise other funds.

The ban is chiefly aimed at those gamblers who are most likely to benefit from the frictions caused by the ban i.e. by having limited or no immediate access to alternative sources of credit, and where stopping a potential debt-incurring gambling action is easier for that gambler than finding a way to circumvent the lack of immediate credit. In particular, those experiencing lower or moderate levels of harm may be encouraged (by the friction, introduced by the credit card ban, in the journey of accessing and using borrowed funds to gamble) to reflect on their gambling expenditure before seeking other forms of funding their account with borrowed funds.

## Disruptive risks

There is a lack of evidence from international sources on the processes affecting regulatory restrictions on gambling with credit, so we know little about what factors might constrain the effectiveness of the credit card ban – disruptive risks. However, in discussion we identified a series of potential disruptions (risks) to the working assumptions which included:

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<sup>8</sup> That is, if the gambler is not able to use credit cards, but during gambling activity considers accessing other forms of borrowing to fund their gambling, the ban may afford a period of reflection before they arrange, access and secure alternative forms of credit to substitute for credit cards.

<sup>9</sup> For example, non-licensed operators who nevertheless are able to advertise on internet search engines and otherwise make their facilities available to British users.

- Gamblers who had used credit cards finding sources of alternative, and possibly higher cost, credit.
- Gamblers could also anticipate the ban by using their credit cards to make a substantial deposit prior to the start of the ban. While this would not be a sustained risk it could have short term disruptive effects i.e. delaying or minimising the early effectiveness of a ban by skewing 'normal' behaviour in the first few months.
- Gamblers could 'displace' their direct use of credit cards by 'indirectly' using them to make monetary deposits into digital-wallets (e.g. where credit card funds are 'layered' from one digital wallet to another) or withdrawing cash from an ATM with a credit card and depositing that cash into their current account or onto a pre-paid card; and where the operator or e-wallet does not put in place mechanisms to identify where the payment originated from (eg to distinguish between payment by credit card from debit card or other 'cash' funds).
- Online gamblers in particular may switch to or intensify other forms of short-term credit which would substitute for credit cards, such as through their use of mobile phone payment methods which operate as a form of credit facility. These allow the consumer to make a payment such as a gambling deposit to an operator and charge that deposit to their mobile phone bill, and where the phone contract will be recorded as making the payment for gambling with the consumer paying the cost in arrears in their next (monthly) phone bill.
- The credit card ban could lead to an expansion of unregulated sources of gambling (e.g. black market) with adverse consequences for gambler safety and access to other harm minimisation initiatives such as self-exclusion.

The ability of the evaluation to isolate and identify impacts of the ban might also be complicated by other effects on gambling funding, such as limits to borrowing imposed across the board by financial institutions (or their regulators) or to caps on online spending.

There could also be longer term unintended consequences which we cannot anticipate, but which the design of the evaluation would need to be able to identify.

### Further information of comment

Put together the *Context – Mechanisms – Expectations - Assumptions* (CMEA) profile set out here, together with the implementation risks, makes up a preliminary ToC. Although the start of the evaluation of the ban has been delayed due to the disruptive effects of COVID-19, the ToC will inform early planning work including baseline data collection.

The ToC remains a working model which will be refined as evidence emerges of the ban's effectiveness and as changes to behaviours and any unintended consequences become clearer. We welcome any further observations or comments which could add to the further refinement of the TOC; these could be sent to:

- Laura Balla: [lballa@gamblingcommission.gov.uk](mailto:lballa@gamblingcommission.gov.uk), and also

- Peter Rangeley: [prangeley@gamblingcommission.gov.uk](mailto:prangeley@gamblingcommission.gov.uk).