



Parent Zone's Response: Review of the Gambling Act 2005 Terms of Reference and Call for Evidence

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Who we are

Parent Zone sits at the heart of modern family life, providing advice, knowledge and support to shape the best possible future for children as they embrace the online world.

We have been investigating gaming and gambling since 2018, publishing two independent research reports looking at the links between gambling and online games. The first focused on skin gambling, *Skin Gambling: Teenage Britain's Secret Habit*, 2018¹. The second, *The Rip-Off Games*², looked at the wider economic ecosystem in gaming including loot boxes.

We have led the way in providing information to families about the risks associated with gaming and gambling. In 2019 we partnered with GambleAware to develop [Gaming or Gambling](#), two short films and accompanying educational materials to help families learn about the gambling-like behaviours that eight-to-eleven-year-olds engage in while playing online games.

Finally, Parent Zone is a member of the Gambling Health Alliance, a group of organisations seeking to reduce the damage caused by gambling to health and wellbeing.

¹ [Skin gambling: teenage Britain's secret habit](#), Parent Zone, 2018

² [The Rip-Off Games: How the new business model of online gaming exploits children](#), Parent Zone, 2019

Introduction

A lot has changed since the Gambling Act came fully into force in 2007, most notably in the context of online gambling. Gambling is now woven into many aspects of digital family life starting with early-years exposure to gambling-like behaviours in gaming and continuing with 24-hour access to online gambling for parents, teenagers and young adults.

There can be little doubt that the Gambling Act and the Gambling Commission are failing in one of their primary aims - to protect children and young people from gambling online. The impact of this failure is real-world immediate harm alongside worrying long term implications. This review of the Gambling Act offers the opportunity to both act on the immediate harms, and to prevent the long-term consequences of this change in gambling behaviours.

Our response to this consultation is based on our extensive work with parents, children and the professionals that support them.

Gambling or Gaming?

Parent Zone started to research the links between gaming and gambling in 2018 after a young person highlighted the fact that skin gambling³ was a phenomenon ‘sweeping through his school’. We discovered he was not alone. In that year, 90% of children between the ages of 13 and 18 reported that they played games online and a third of them had heard of skin gambling. 10% of children in that age range said they had gambled skins in some form⁴.

The emergence of this new form of gambling happened silently and at speed. It occurred because of a change in the way that games are purchased and consumed. Games are no longer bought, complete, on a disk, but are downloaded from the internet. This opens a gateway to perpetual spending opportunities for upgrades, updates, and in-game purchasing. As a consequence, techniques developed and widely used by the gambling industry are increasingly deployed by games companies to encourage players, including children, to stay online and to keep on spending.

In 2019 we conducted further research into the new financial ecosystem developed by the gaming industry. Our report - *The Rip-Off Games* - found that 93% of children were playing games online and 76% of children aged between 10 and 16 years old thought that ‘*online video games try to make you spend as much money as possible during the game*’⁵.

In order to achieve that level of financial activity, many games companies had incorporated techniques ‘borrowed’ from the gambling industry including variable-ratio reinforcement, whereby rewards of different value or scarcity are delivered variably, triggering a state of physiological arousal associated with the perpetuation of gambling behaviour⁶. This technique is the same one used to keep people playing slot machines.

Other techniques, pioneered by the gambling industry and adopted in gaming include; loss-aversion, a tactic that exploits the fact that gamers are more likely to keep spending if they are only one or two steps away from winning; reward-removal, where gamers are given a reward then threatened with it being taken away; and ‘fun-pain’, a tactic where a painful situation (running out of moves, facing loss) is rescued by a pop-up offering a way out.

Neurodevelopmental research⁷ suggests that children and young people are particularly susceptible to such tactics. Parents provide ‘lived experience’ testimony that supports the science.

One concerned parent responding to a recent Parent Zone survey said ‘*my eight year old is being ‘groomed’ to stay online as much as possible to make virtual money on roblox then trading and losing her virtual money ... the same as my boys 10 and 15 yrs on other platforms - they are being ‘groomed’ on these virtual platforms ... it’s all consuming*’⁸.

Loot boxes are a form of gambling

³ [Skin Gambling: Teenage Britain’s secret habit](#), p. 1

⁴ *Ibid*, p. 4

⁵ [The Rip-Off Games: How the new business model of online gaming exploits children](#), p. 2

⁶ *Ibid*, p. 14

⁷ Adolescent problem gambling, Grant JE, 2005 in *Gambling problems in youth* (eds JL Derevensky, R Gupta), pp. 81-98. Berlin, Germany: Springer.

⁸ Underage gambling online: your views, Parent 8, Parent Zone, 2020

The use of gambling-like techniques is most obvious when looking at loot boxes. These virtual boxes are a common form of microtransaction in games with clear links to gambling.

- the outcome (what you are going to receive in the loot box) is determined by a future event, unknown at the time of paying - the result is determined by chance
- the reward involves reallocation of wealth without work of productive value on either side
- losses can be avoided simply by not taking part.

Loot boxes have been around too short a time for definitive proof of causal links between 'induction' with loot boxes and later problem gambling. However, it is clear that exactly the same risk-reward mechanisms are in play and being normalised for young users and some researchers have found correlations. Zendle and Cairns⁹, for example, found a stronger relationship between problem gambling and heavy loot-box-purchasing than between problem gambling and alcohol abuse, drug use or depression.

The case for classifying loot boxes as gambling, and regulating them accordingly seems unquestionable. The Netherlands, China, Japan and Belgium have all taken action. By not taking action, the UK is not only lagging behind, it is letting down parents and failing to protect children.

Children are being taught to gamble online

However, whilst the case for classifying loot boxes as gambling seems clear it is not, in itself enough. Many parents are concerned that games and the wider gaming experience is actively teaching their children to gamble. One parent told us that their child had been '*gambling with virtual money on Fifa*', going on to say that their child was '*emotionally exhausted from losing all their money*'¹⁰.

Another parent reiterated these concerns, telling us '*I truly feel in this new digital age there are going to be many children who fall into gambling in their teenage/young adult lives as a quick win.*'¹¹

The problem extends beyond what happens in a game with an individual child or gamer. Gaming is now a consumer sport with spectators able to gamble in both traditional and non-traditional ways. In 2020 Twitch, an Amazon-owned streaming platform, introduced a new function called 'Predictions'. Designed to allow streamers to encourage more 'engagement' with their channels, in practice it facilitates gambling. Streamers encourage their followers to spend 'channel points' - earned by watching a stream for longer than five minutes, or by purchasing a subscription - in the hope of winning more points and prizes.

Viewers are able to bet on predictions of 'in-stream' events set by the streamer. Events include questions like 'will I be able to eat all of this pizza?' Viewers guessing correctly can expect to win rewards set by the streamer, which could include more channel points, or some form of engagement with the streamer (eg. a streamer will give them a shout-out or

⁹ [Video game loot boxes are linked to problem gambling: Results of a large-scale survey](#), Zendle and Cairns, 2018

¹⁰ Underage gambling online: your views, Parent 8

¹¹ *Ibid*, Parent 11

draw them a picture).

Whilst these points have no real-world monetary value, they are clearly introducing gambling-like behaviours as well as encouraging extended viewing. The feature is not available in a number of countries, including Denmark, Luxembourg, Netherlands, Philippines, Poland, Quebec, Singapore, Sweden, Korea and Turkey, because of laws in those countries. The UK gambling legislation is once again out of step with the pace of digital change and has failed to act swiftly enough to prevent this feature rolling out in the UK.

Recommendations

Legislation must act decisively to address existing harms and the gambling commission must be able to respond to emerging harms. We recommend:

- The classification of loot boxes as a form of gambling
- The introduction of horizon-scanning as a key task for the Gambling Commission
- The introduction of spending limits in games, modelled on spending limits for slot machines
- A requirement for games companies to include self-exclusion from spending in games
- A widening of the definition of 'money or monetary value' to reflect new forms of currencies like Channel Points

The Gambling Commission

The Gambling Commission is a small regulator in a rapidly changing environment. It lacks many of the features seen in other regulators - like an Ombudsman - and it has not been effective at protecting children from gambling harm. Its own research¹² found that 9% of children between the ages of 11-16 had gambled in the previous seven days. While most of that gambling is legal under existing regulation, it is clear that the Gambling Commission needs to do more to protect vulnerable groups of people - including children.

We were pleased to receive their support (non-financial) for our work on Skin Gambling and recognise that they are equally keen to do what they can to protect children and young people from gambling harms.

However, it is very clear that if they are to succeed, they need to do a great deal more.

Online Harms White Paper

The forthcoming regulation on online harms - including the proposed Duty of Care - and the Age Appropriate Design Code within the ICO, both offer an opportunity for the Gambling Commission to work closely with other regulators. Indeed making those connections is going to be critical if the legislation is to achieve its desired outcomes. It is a matter of serious concern that financial harms - including gambling - receive no attention in the OHWP.

Gambling and advertising are already heavily regulated

Gambling and advertising are already heavily regulated industries but the regulation does not seem to be properly enforced. The Advertising Standards Authority found that, between April and June last year, 70 different gambling ads from 4 operators appeared on 8 websites aimed at children¹³. As most forms of gambling are illegal for under-18s it is difficult to understand why children are the target of gambling ads.

Sports and esports

Many of the parents who answered our survey voiced concerns about how sports and gambling are becoming increasingly intertwined. Watching sport is often a family activity and sports coverage is saturated with ads for gambling, especially in the Premier League, where viewers are encouraged in frequent breaks towards in-game betting. While children can't place the bets themselves, it is inconceivable that gambling is not being normalised as a part of sports viewing for them.

One concerned parent told us that the government should '*stop advertising of gambling especially associated with sport*' going on to add that '*sponsorship deals especially sport*'¹⁴ were a concern. Another wrote that the government should impose '*stricter marketing regulations towards children*'¹⁵.

It is not only the increasing 'gamblification' of sport, but also that of esports that are cause for concern and seemingly outside of the control of the Gambling Commission. Professor

¹² [Young People and Gambling](#), The Gambling Commission, 2020

¹³ [Protecting children online: building a zero-tolerance culture to age-restricted ads in children's media](#), ASA, 2020

¹⁴ Underage gambling online: your views, Parent 4

¹⁵ *Ibid*, Parent 2

Agnes Nairn, Chair of Marketing at the School of Management at the University of Bristol, spoke to Parent Zone about the emergence of esports betting. She explained that *'just as betting is now intrinsically associated with traditional sports such as football, it's also part and parcel of the rapidly expanding eSport milieu.'*¹⁶

Analysis by Professor Nairn found that that 17% of followers of esports gambling accounts on Twitter are under the age of 16¹⁷. Particularly concerning is the fact that advertising is often designed to be appealing to children, featuring highly shareable gifs¹⁸.

We have seen this on other platforms including Twitch, where streamers are often sponsored by gambling sites such as the crypto betting site, Stake. Streamers will give their viewers a code and encourage them to start gambling on the same site as them. It is easy to see how children could be attracted to a 'play this with me' offer from one of their favourite streamers.

Recommendations

The work of the Gambling Commission is critical. It is a vital regulator and one that requires better regulation, greater powers and more scope. We recommend

- It must ensure that existing legislation around gambling and advertising is properly enforced
- It should do much more to ensure that games companies and the wider digital environment - including social media and streaming platforms - are doing more to protect their younger users from gambling related risks and harms.
- It needs to future-proof its work with significantly more investment in research that tracks emerging harms and trends.
- It should be working with regulators including Ofcom and the ICO to ensure online harms regulation includes gambling

¹⁶ [eSports gambling ads have taken over Twitter – and it's a big problem](#), Parent Zone, 2021

¹⁷ *Ibid*

¹⁸ *Ibid*

Parents, Education and Information

Some efforts have been made to increase awareness of gambling risks among parents and in schools. However the scale of this is woefully insufficient when weighed against the advertising spends of the gambling companies and the scale of the need.

We were pleased to be funded by Gamble Aware to create an awareness raising project for parents and young adults in 2019 called '[Know The Stakes](#)'. The project reached 400,000 parents and over 130,000 young adults. Funding for the work was for one year only and while the demand has not diminished, the funding has.

It is very clear that parents do not feel they have the knowledge or support required to prevent their children from gambling online. Several of the parents we consulted for this response were unclear about the laws relating to children and gambling. One parent said that '*underage [gambling online] should be banned*'¹⁹ whilst another said it '*shouldn't be made available to them [children]*'²⁰. Both responses highlight the fact that parents are confused by the gambling laws.

Parents need and want better education for themselves. One parent suggested that the government should '*better educate parents via schools*', going on to say that as a parent to two children:

*'... this topic worries me as I don't know enough information myself. I would like to attend a course to become better informed. Big corporations seem to be getting away with whatever they want to entice young children into something they, or their parents, don't know enough about.'*²¹

Another added '*we need real thought for the safety of our children online on the various dangers. As parents we are not always best placed, on the way to protect our children online.*'²²

Confusing and inadequate information

It is little wonder that this is the case when parents have to rely on confusing content-rating systems like the Pan European Game Information (PEGI) to figure out whether a game is suitable for their child. PEGI's descriptor: '*includes paid random items*', used to describe a game with loot boxes, does not convey to parents that the game will expose their children to gambling-like mechanisms such as variable ratio reinforcement. This is especially concerning considering that a 2020 report²³ found that:

- 58% of the top 100 grossing games on the Google Play store featured loot boxes and, of these, 93% were rated as suitable for children aged 12.

¹⁹ Underage gambling online: your views, Parent 5

²⁰ *Ibid*, Parent 6

²¹ *Ibid*, Parent 2

²² *Ibid*, Parent 8

²³ [The prevalence of loot boxes in mobile and desktop games](#), Zendle, Meyer, Cairns, Waters and Ballou, 2020

- 59% of the top games on the Apple App store features loot boxes and, of these, 95% were rated as suitable for children aged 12.

Recommendations

Parents play an essential role in helping their children navigate the online world, but they can only do this with adequate support and information. We recommend

- Expanding the scope and funding of educational programmes for parents and in schools
- Games ratings need a complete overhaul - the Gambling Commission should play a part in that process.

Summary

Gambling in the UK is causing enormous distress to families and increasingly online gambling behaviours are exposing children and young people to risks and harms. The Gambling Commission's Behaviour, Awareness and Attitudes Report²⁴ found that 73% of people thought that gambling poses a threat to family life. The need for an overhaul of gambling regulation and the gambling regulator is clear and the concerns are urgent.

In the course of the review we also call on the government to look at the funding for the treatment and prevention of gambling harms. It cannot be right that industry decides who and what to fund. The 1% voluntary levy - which was promised and then withdrawn - signals the considerable problem with the existing funding regime. The current system whereby industry controls whom to fund, when to fund and the levels of funding should not continue.

The digital world has drawn more children into gambling and the risks continue to evolve. A failure to act now will be a failure to protect future generations of children from harm.

²⁴ [Gambling participation in 2019: behaviour, awareness and attitudes](#), Gambling Commission, 2020, p.

