

Written submission from Ladbrokes

Introduction

Ladbrokes is one of the world's largest betting companies and the leading operator in Scotland with 330 shops, employing 1,324 colleagues. We offer betting on sports, politics, music and novelty events both in shops as well as omni-channel opportunities through our online, telephone and mobile applications.

In addition to our shops, Scotland is also home to our North Divisional Office, in Grangemouth which oversees the day to day operation of more than half of Ladbrokes 2,200 shops with additional local offices in both Glasgow and Edinburgh. We are also proud to be main sponsors of the Scottish Professional Football League (SPFL).

We welcome this opportunity to respond to the consultation and in doing so, aim to highlight Ladbrokes existing procedures for responsible gambling and compliance, as well as tackling some of the myths around gaming machines. In addition, whilst we recognise and accept that local authorities should work in partnership with businesses on local developments, it is crucial that any change to policy decisions are based on substantiated evidence, rather than any unfounded objections or myths propagated by campaign groups who are against the legal existence of betting operators on the high street.

Betting offices are valuable contributors to the vitality and viability of high streets throughout the UK, employing local people, building relationships with local customers and supporting local good causes in the community. Our shop teams are the local face of Ladbrokes in their community and will often be involved in fundraising and activities that are important to them and their customers. Ladbrokes has its own charitable trust and has developed longstanding relations with community organisations.

There is also a financial benefit of betting shops with the industry contributing around £350 million to the economy and paying more than £115 million in tax. The wider British betting industry, of which Ladbrokes is a part, makes a substantial contribution to the Scottish economy, providing 5,500 jobs in almost 1000 betting shops, serving nearly 800,000 customers.

The betting industry is already licensed and heavily regulated, with operators required to have clear processes and procedures to uphold the key principles of the 2005 Gambling Act. As a responsible business, we recognise that there are a small number of customers who suffer from gambling-related harm. However, problem gambling rates in Scotland are low by international standards and falling. In 2012, 0.7% of adults were identified as problem gamblers by the Government's Scottish Health Survey. In 2013, that figure had dropped to 0.4%. Nevertheless, we take our responsibilities in relation to problem gamblers very seriously and have implemented robust policies both internally and as founding members of the independent [Senet Group](#) who exist to promote responsible gambling standards and reduce the risk of people developing a problem with their gambling.

In 2015, the industry has already organised two Gamble Aware Weeks (January and June) where we devoted the entire shop window advertising space to promote responsible gambling messages. During these periods we have also organised drop-in centres for problem gamblers, as well as signposting sources of help for anyone concerned about their gambling in every shop.

For those people who have reached crisis point with their gambling, we are also trialing a multi-operator self-exclusion scheme whereby customers can self-exclude from all betting shops in the local area with one telephone call, rather than having to contact each one individually. If this scheme is successful we aim to roll it out nationwide early next year.

Other commitments include; a voluntary TV advertising ban on sign-up offers (free bets and free money before 9pm); withdrawing all advertising of gaming machines from betting shop windows and dedicating 20% of shop window advertising to responsible gambling messages.

Ladbrokes are also proud to be leading the industry as the first and only betting operator to link executive remuneration to responsible gambling targets and have a dedicated Head of Responsible Gambling who is tasked with ensuring that Ladbrokes lead the field in player protection. We have also committed to increasing the number of responsible gambling messages broadcast to 25% of all output, in the final hour of trading, as a result of research which suggested that people in shops at this time were more at risk from problem gambling than others.

Gambling in betting shops, like most other leisure activities, is enjoyed safely by the majority of people who choose to bet. Also, like other leisure activities, some people who choose to gamble, do so to the extent that it becomes harmful to them. Ladbrokes encourages the small number of people who develop a problem with their gambling to seek help and if necessary, stop. We firmly believe that the vast majority of people who enjoy gambling safely, on a range of products in our shops should not be subject to restrictions on a pastime they enjoy, simply because some people cannot gamble responsibly.

The suggestions in the Scotland Bill, as it stands could have a significantly negative impact on Scottish communities – an impact that would be amplified if the Scottish Government's alternative provisions were accepted. These would almost render a legal product (B2 gaming machines) unworkable and have serious consequences for Ladbrokes, the wider betting industry, local colleagues and the vitality of Scottish high streets as a result of significant shop closures and significant job losses.

Economic modeling by KPMG has concluded that if there are additional cost or regulatory increases to the betting sector, nearly 200 of the 768 betting shops in Scotland could close by 2020. This would negatively impact industry profit by an expected £130 million and come at a loss of 654 jobs. It would also result in less £15 million (cumulative) in Levy and media payments.

It should be understood that there is currently no evidence to suggest that gaming machines offer a higher risk to someone who develops a problem with their gambling than any other gambling product. There is however, significant evidence that

problem gamblers engage in a range of gambling activities (British Gambling Prevalence Studies 2007; 2010). In addition, a recent study for the Responsible Gambling Trust also found that problem gambling is a complex issue with no single marker of harm and whilst markers of harm can be identified, it is crucial that incremental and targeted intervention is key. The report concluded that “if you want to intervene with problem gamblers while allowing non-problem gamblers to continue to gamble, stake size (on gaming machines) alone is unlikely to be the most effective way of doing this”.¹ We therefore would encourage the Scottish Government not to penalise the vast majority of people who bet responsibly and as part of their own leisure pursuits, by introducing a disproportionate, blanket approach policy that is not deemed by independent experts to have an impact on gambling-related harm.

Ladbrokes response to consultation questions

1. What would be the benefits and disadvantages for you as a consequence of the UK Government’s proposed provision in the Scotland Bill 2015?

While there is no evidence that restrictions of one product would impact on problem gambling levels there is clear evidence that betting shops would be significantly impacted by the loss of B2 content.

Financial impact of suggested proposal

Economic modeling by KPMG has concluded that if there are additional cost or regulatory increases to the betting sector, nearly 200 of the 768 betting shops in Scotland could close by 2020. This would negatively impact industry profit by an expected £130 million and come at a loss of 654 jobs. It would also result in less £15 million (cumulative) in Levy and media payments.

The retail sector has been operating in a highly competitive market with less consumer disposable income for some time now. This, coupled with increases on Machines Games Duty from 20% to 25% in 2014 has led to declining incomes and as a result, since 2013 we have closed 14 shops in Scotland. Any further restriction on B2 machines would exacerbate this, meaning that customers would have the choice of online, with an extensive range of games, but not in-store, making it likely that people would drift away from the store offer, further affecting our struggling High Streets. Unfortunately this is not just a theoretical point but a reality for shop closures in Scotland. For example, our shops in Irvine or Ayr where we have closed/will close shops due to the declining contribution, some of which has to be attributed to the increased taxation and GMD. We also have Cumbernauld Road and soon to be Beith as casualties, both of which have been long standing shops in their communities that in the current climate are just not viable.

¹ <http://www.gamblingcommission.gov.uk/pdf/Recent-research-into-Gaming-Machines.pdf>

Local employment

We believe in investing and supporting our colleagues to be the best they can be. Each local shop employs an average of six members of staff and offers flexible working hours and opportunities to progress. In Scotland we employ around 1,324 people and we are proud to say that 57% of our workforce have been with us for over five years and a quarter of colleagues have service of between ten and thirty plus years. In addition, more than 65% of our management population are female in Scotland and our new CEO is Scottish – as well as starting his career in a betting shop.

However we have already started to see the impact of increased tax and regulation on our sector. In the last two years we have had to close fourteen shops in Scotland with the loss of approximately 100 jobs. The impact of this is clear if we look at the economically challenged Scottish Borders where we have been forced to close shops in Galasheils, Hawick and Peebles which were simply no longer viable. This impacts negatively on the colleagues we employed, the customers we served as well as leaving a physical void on the local high street and reduces the amount of financial investment in the area.

Evidence-based policy

We would encourage the Scottish Government to implement evidence-based policy changes in this area, rather than any disproportionate measures which could impact on a vast number of constituents across Scotland who gamble responsibly as well as betting operators who have already implemented measures such as; facilities to set voluntary and mandatory limits on machines; training for colleagues to interact with customers when machine alert logs are breached and additional exposure for responsible gambling measures during more problematic periods of the day – as evidenced by the independent gambling research body.

It is clear from the Responsible Gambling Trust report that the independent experts believe the policies outlined in the Scotland Bill as drafted, should not be pursued. In their recent report, the Responsible Gambling Trust's independent Machine Research Oversight Panel concluded; "It would be inadvisable to rush policies on the basis of these foundational studies. Rather, consideration needs to be given to the development of a strategic blueprint of evaluative studies that are applied in a logical and coherent manner over the next 5 to 10 years... more will be achieved by a strategic approach compared to a fragmented, disjointed and potentially costly policies that fail to achieve their objective".²

² An investigation into gaming machines in licensed betting offices: exploring risk, harm and customer behaviour. A View from the Machines Research Oversight Panel, [http://www.responsiblegamblingtrust.org.uk/user_uploads/mrop%20blas%20summary%20\(2\).pdf](http://www.responsiblegamblingtrust.org.uk/user_uploads/mrop%20blas%20summary%20(2).pdf)

2. What would be the benefits and disadvantages for you as a consequence of the proposed alternative provision suggested by the Scottish Government?

Realistic assessment of customer activity

There are a number of myths in the public domain about B2 gaming machines which are often used as an argument for reducing the stakes from £100 to £2. Whilst it may be more powerful to look at the extreme ends of the spectrum, it does not always present commentators or stakeholders with a true picture of the pattern of play. Instead, we think it is more insightful to look at the average stake, average loss and average time spent on machines for a realistic judgment of the situation.

A detailed report by the Responsible Gambling Trust into gaming machines concluded that the mean losses for B2 machines was £6.31 (in Scotland the losses are c£5.41) and the average length of time of play was 11 minutes. It is also important to note that only 3% of sessions involved betting at a stake of £100.

In addition, customers who wish to stake £50 or more on our B2 gaming machines have to physically go to the counter and load the money in person (unless they have a Ladbrokes membership card which is an additional way of our colleagues analysing their play and spend and therefore making it easier for us to interact with them). Therefore it is impossible to load a machine quickly enough to lose “£18,000 an hour playing on a B2 machine” as some campaigners claim. A B2 machine also has a return to player of circa 97%, therefore the odds of losing the whole £18,000 stake in an hour would be 11 million trillion to one, less likely than buying a single lottery ticket each week and winning the National Lottery jackpot three weeks in a row.

Customer behaviour

Whilst only a small minority of customers bet the highest £100 stakes, the ability to be able to do so is crucial to the enjoyment of the product, particularly as it allows customers to spread stakes and increase the chances of a return as well as to increase stakes following wins. Restricting stake levels would cause a significant disadvantage to retail operators versus other sectors such as online or mobile gambling services, as well as disrupt the regulatory pyramid by placing betting shops on a par with Adult Gaming Centres.

Customer behaviour and staking levels show behaviour differs considerably between different customers, indicating that as with other products such as Over-The-Counter betting, customers vary and stake at levels they are comfortable with and in a responsible manner according to their income. It is also important to note that a cut in maximum stake could have unintended consequences, as the recent Responsible Gambling Trust report concluded, “the relationship between the stake size and harmful play is not straightforward. Focusing too much on stake size might give false hope that this issue has been addressed and therefore opportunity to address issue may be missed”.

Disproportionate retrospective powers

The proposal to make powers on B2 gaming machines retrospective is a disproportionate and unfair mechanism, targeted at responsible businesses who have already satisfied both the local authority's and Gambling Commission's procedures to operate in a chosen area. Any retrospective alteration to this policy could be seen as an attempt to reverse the aim to permit and could also damage the viability of many shops in town centres across Scotland.

3. Which of these approaches do you prefer and why?

We would prefer the status quo situation as we are a responsible business who many customers chose to spend small-scale recreational sporting bets with. Whilst neither of the proposals have any supporting evidence-base, if we had to choose, we would rather support the existing wording of the Scotland Bill as it would only affect new licenses, rather than undermining the business practices of existing shops, who employ local people, provide entertainment for local residents and are active in assisting their local communities.

4. Are there any changes in this area of law you would like to see which are not covered by either proposal and why?

There have been a number of recent changes to policies in this area already, therefore any additional alterations would be a further burden on an already heavily regulated and responsible sector.

5. Please make any further comment you feel is relevant to the Committee's inquiry into FOBTs.

MYTH – Betting operators do nothing to promote responsible gambling or benefit their local communities.

As a responsible business we are committed to providing our customers with a safe, fair and fun and well regulated leisure experience. However there are regular attempts to undermine this legitimacy with a number of myths surrounding B2 gaming machines which we think need to be disproved as part of the Committee's evidence session. We hope the below information is of use in that regard.

The industry is already licensed and regulated, incorporating effective social responsibility policies in its business as a condition of its license and it takes the issue of responsible gambling seriously – continually reviewing its approach and adopting best practice.

Companies like Ladbrokes have embarked on initiatives across all gambling products to support the Gambling Commission License objectives. These include new signage on machines, a policy to increase the time spent by colleagues on the shop floor interacting with and getting to know individual customers by name, voluntary deposit limits and increased communication to customers to promote responsible gambling.

In addition to supporting industry initiatives, Ladbrokes has developed its own responsible gambling policy as well as a range of activities designed to support player protection. One example of our unique approach to problem gambling being our bespoke algorithm to spot potentially harmful behaviour of machine customers and then communicate with them on a personalised basis to encourage them to reflect on their gambling. The pilot was launched in the west of Scotland in December 2014 and will be completely rolled out across the UK before the end of 2015.

As a plc Ladbrokes is also subject to external measurement in this area and has received recognition by the Dow Jones Sustainability Indices as well as FTSE4Good for its responsible gambling policies. Ladbrokes has also received Primary Authority status, a process which involves a detailed examination of processes and practices to enable smoother interaction with Local Authorities. We also refer you to our responsible gambling strategy and the [Ladbrokes Corporate Social Responsibility report](#) which details our processes and policies in this area.

In addition to responsible gambling practices Ladbrokes has an active community programme through support for charitable causes via the Ladbrokes Charitable Trust which has raised over £6 million for good causes since its inception, and the Ladbrokes Community Fund which donates to community groups throughout Britain, including supporting sports for the disadvantaged or disabled, and employment and training schemes such as the Family Employment Initiative operated by the Coalfields Regeneration Trust.

MYTH – Problem gambling can be tackled by targeting B2 gaming machines (stake and / or number of machines per shop)

The issue of problem gambling is not one that can be tackled in a simplistic manner, by targeting one product and limiting stakes or prizes on that product. All the evidence points to problem gambling being a far more complicated issue with individuals using a wide spectrum of products. This is supported by the fact that the prevalence studies that have taken place in 2000 (before FOBT or B2 content was widely available), and then in 2007 and in 2010 (when the availability of FOBT or B2 content had increased significantly) show problem gambling levels as relatively stable at 0.9 – 0.6% of the adult population. There is no evidence that demonstrates that problem gambling rates have risen since the introduction of B2 machines, indeed the most recent studies show a reduction.

In addition, the most recent report from the Responsible Gambling Trust concluded that “the relationship between the stake size and harmful play is not straightforward. Focusing too much on stake size might give false hope that this issue has been addressed and therefore opportunity to address issue may be missed”.³

³ <http://www.gamblingcommission.gov.uk/pdf/Recent-research-into-Gaming-Machines.pdf>

MYTH – The number of betting shops on the high street is increasing as a result of the demand for more B2 gaming machines

This is entirely misplaced. In fact there are far fewer betting offices currently than there were at their peak. In 1968 when there were **15,782** licensed betting shops in the UK, whereas there are now currently around 8700 betting shops. We consider it vital that the Committee understand that the most recent Gambling Commission figures demonstrate the exact opposite of what campaign groups might have the public believe, in that betting shops numbers are declining, rather than growing: In **March 2012**, there were **9,128** licensed betting shops – in **March 2013** that number fell to **9,066** and in **March 2014** the number fell further to **9,021** and current information suggests that there are now around **8,700** licensed betting shops in **2015**. **It is simply a myth to suggest that the numbers of betting shops are growing.** Betting shops account for less than 4% of the country's 240,000 retail units. This is 22% less than bank branches, 25% less than charity shops and 60% less than fast food outlets.

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