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## **Re: Submission to the Australian Banking Association on the use of credit cards for gambling transactions**

Thank you for the opportunity to make a submission to the Australian Banking Association's consultation on gambling with credit cards. We commend the ABA's initiative to engage the community on this important issue. The Alliance strongly supports the prohibition of gambling with credit, based on the principle that people should not be encouraged to gamble with money they do not have. This provision should apply to all forms of gambling, however, focused on online gambling where harm is most acute, and implemented at the earliest possible time. Gambling with borrowed money is well-established as a risk factor for harmful gambling<sup>1</sup> and financial institutions have a responsibility to ensure customers are not putting themselves and their families at risk by gambling more than they can afford.

### **Who we are**

The Alliance for Gambling Reform is a national advocacy organisation and registered health charity formed out of an urgent need to address the harmful and unfair impacts of gambling and its normalisation in Australia. We are a non-partisan alliance of more than 60 organisations who share our objectives of preventing and minimising harm from gambling, and we are entirely funded by individuals, foundations and local governments that do not have any ties with the gambling industry.

We take a public health approach to gambling reform, centring those with lived experience of gambling harm at the core of our work based on the principle that those closest to the harm are those closest to the solutions. We seek to collaborate meaningfully with elected representatives, local councils, service agencies, faith and community groups to prevent and reduce harm through policy change. The Alliance also provides coordination, expert advice and practical resources to our supporter organisations, community groups and the media.

This submission draws upon testimony from people and families impacted by gambling harm and who have shared insights on gambling with credit. In some cases testimony has been provided on the condition of anonymity, however, the Alliance is able to furnish further evidence of these claims should this be required.

### **Gambling harm is experienced by broad sections of the community**

At the outset, we wish to correct a claim made in the ABA's discussion paper that 'most of those who gamble do not experience harm'. A 2016 study by the Victorian Responsible Gambling Foundation found that gambling harm is experienced by broad sections of the community, and the largest aggregate source of harm was in fact found to be experienced by 'low' and 'moderate'-risk gamblers (50% & 35% respectively).<sup>2</sup> It is a common misconception that those experiencing harm is only limited to chronic gamblers, however we now know the majority of harm can be attributed to gamblers at the lower-end of the gambling spectrum.

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<sup>1</sup> Thomas B. Swanton and Sally M Gainsbury (2020) *Gambling-related consumer credit use and debt problems: a brief review*, Current Opinion in Behavioural Sciences 31 <https://www.sciencedirect.com/science/article/pii/S2352154619301019>

<sup>2</sup> Browne, M, Langham, E, Rawat, V, Greer, N, Li, E, Rose, J, Rockloff, M, Donaldson, P, Thorne, H, Goodwin, B, Bryden, G & Best, T (2016) *Assessing gambling-related harm in Victoria: a public health perspective*, Victorian Responsible Gambling Foundation, Melbourne.  
<https://responsiblegambling.vic.gov.au/resources/publications/assessing-gambling-related-harm-in-victoria-a-public-health-perspective-69/>

A 2017 study further investigated the extent of gambling harm to others. The researchers asked people affected by someone else's gambling how many others, including children, they believed had also been affected by that person's gambling. The report concludes a typical "problem" gambler\* affects six others, revealing that more than a million people in Victoria are potentially harmed by someone else's gambling.<sup>3</sup>

### **Gambling on credit increases the risk that people will gamble more than they can afford**

There are inherent risks associated with gambling with credit, including losing all of one's assets and then quickly accumulating large sums of unsecured debt. Credit cards are high interest and therefore an expensive source of debt. When used for gambling, they attract exorbitant cash advance fees which can further exacerbate harm. We learned through the Banking Royal Commission just how much harm can be done when credit is used for gambling.<sup>4</sup>

#### **Case Study- Jane, 39, legal professional with 20 years lived-experience of gambling harm:**

My gambling debt (now paid off) at its highest was \$65,000 and this was almost exclusively financed from cash advances on credit cards. It is far, far too easy to get what is essentially the equivalent of a pot of money with a huge interest rate associated with its withdrawal and no checking whatsoever as to the vulnerability of the applicant for credit.

I believe easy access to credit exacerbated my gambling harm as it just was an easy avenue to chase losses and I feel directly contributed to an increase in my gambling debt. If access to credit for me had been more difficult, I think my gambling harm would have decreased.

The risks associated with gambling with credit are particularly acute for young people who are actively targeted by the gambling industry and are more likely to get into financial difficulty when using credit due to lower financial literacy.

### **Credit cards are disproportionately used by those experiencing extreme gambling harm**

The 2010 Australian Productivity Commission Report found those experiencing high levels of gambling harm were more than four times likely to use credit cards to obtain cash advances for gambling than low-risk gamblers.<sup>5</sup> A 2019 UK Gambling Commission report also found 38% of "problem" gamblers\*, and 30% of moderate risk gamblers had used a credit card for gambling, compared to just 8% of non-problem gamblers.<sup>6</sup> Similarly, a 2017 UK survey of citizens affected by gambling-related harm found 49% reported using credit cards to fund their gambling; 40% went overdrawn and 27% had taken out payday loans. Most pertinently, 76% of surveyed gamblers had built up debt as a result of their gambling and 44% of affected others built up debt themselves, clearly indicating this harm extends to families and communities.<sup>7</sup>

<sup>3</sup> Belinda C. Goodwin, Matthew Browne, Matthew Rockloff & Judy Rose (2017) *A typical problem gambler affects six others*, International Gambling Studies, 17:2, 276-289

<sup>4</sup> *Banking royal commission: Commonwealth Bank offered gambler credit card limit increases*, March 22, 2018  
<https://www.abc.net.au/news/2018-03-22/commonwealth-bank-offered-gambler-credit-card-limit-increases/9577654>

<sup>5</sup> Productivity Commission (2010). *Gambling: Productivity Commission inquiry report (Volume 1)*  
<https://www.pc.gov.au/inquiries/completed/gambling-2009/report/gambling-report-volume1.pdf>

<sup>6</sup> Gambling Commission (2019). *Consultation on gambling with credit cards*.  
[https://consult.gamblingcommission.gov.uk/author/consultation-on-gambling-with-credit-cards/supporting\\_documents/Print%20the%20whole%20consultation%20%20gambling%20with%20credit%20cards.pdf](https://consult.gamblingcommission.gov.uk/author/consultation-on-gambling-with-credit-cards/supporting_documents/Print%20the%20whole%20consultation%20%20gambling%20with%20credit%20cards.pdf)

<sup>7</sup> Nash, E., MacAndrews, N., & Edwards, S. (2018). *Out of luck: An exploration of the causes and impacts of problem gambling*. London: Citizens Advice.  
<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Out%20of%20Luck.pdf>

### **The use of credit for gambling purposes is out of step with community standards**

The provision of credit for gambling is not inline with community expectations of responsible lending practices. Credit restrictions placed on wagering firms and pay-day lenders under the National Consumer Protection Framework were roundly welcomed in 2017, however Australian banks remain an outlier in this regard. Given the known harm linked to gambling with credit, and the relatively minor inconvenience to customers not experiencing harm, it is difficult to not view this practice as irresponsible on the part of banks. If someone can't use their credit card on a poker machine, surely they shouldn't be able to for online gambling either.

We consulted our lived-experience community and found overwhelming support for banning gambling with credit. Here is just a snapshot of what they told us:

*Gambling with credit cards makes an already significant social problem considerably worse. We are conditioned into thinking that credit cards aren't 'real' money - we can buy now and pay later, postponing the problem. If we apply that thinking to gambling, it becomes very easy to rack up huge debts in a short period of time. Studies have shown that gamblers are more prone to chasing their losses if using credit cards.*

-Stuart

*It is so easy to become addicted to these sites and being able to withdraw money from your Credit Card makes it very easy to overspend and get into debt.*

-Carolyn

*As a victim of poker machine addiction I strongly support the banning of credit card use to gamble. I would like the banking sector to support the victims of the torrid gambling industry where Governments have failed.*

-Rob

For decades Australian financial institutions have considered restricting gambling with credit.<sup>8</sup> In 2017, 85% of Bank Australia customers surveyed said they would support a block on payments from credit cards to online gambling businesses.<sup>9</sup> Implementation of this measure would not only bring banks inline with other major global financial institutions, like American Express and Citibank, but also comparable jurisdictions like the US and UK.<sup>10</sup> Taking a sector-wide approach to gambling ensures an even playing field for all Australian financial institutions.

We acknowledge and commend initiatives in recent years by financial institutions to provide greater tools and services to customers experiencing gambling harm to seek help without shame or stigma, most notably NAB who now allow customers to block gambling transactions on credit and debit cards.<sup>11</sup> However a uniform, sector-wide approach is still needed to guard against the risk of predatory lending practices and (often) exploitative tactics used by wagering firms to extract more than people can afford. In the wake of the Banking Royal Commission, this is an important harm-reduction measure that will also go a long way to rebuilding community trust.

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<sup>8</sup> *Online gamblers facing a credit card ban*, August 2, 2002

<https://www.smh.com.au/national/online-gamblers-facing-a-credit-card-ban-20020802-gdfi9d.html>

<sup>9</sup> *Credit cards and online gambling – your say*, June 29, 2017

<https://www.bankaustralia.com.au/about-us/news/corporate/credit-cards-and-online-gambling--your-say/>

<sup>10</sup> *Gambling on credit cards to be banned*, January 14, 2020

<https://www.bbc.com/news/business-51103006>

<sup>11</sup> *NAB allows customers to restrict gambling transactions*, February 21, 2020

<https://www.savings.com.au/savings-accounts/nab-allows-customers-to-restrict-gambling-transactions>

### **Not a silver bullet**

While we strongly support the prohibition of all forms of gambling with credit, we also acknowledge this is not a silver bullet, and more must be done by financial institutions to prevent gambling-related harm, particularly as it relates to gambling with one's own money. Indeed, this form of access is often more harmful than gambling with credit, given there is no limit imposed on transfers to gambling companies when using a debit card. Banks are best placed to identify harmful spending patterns and behaviours, and intervene to protect consumers. We will also continue to advocate to the Commonwealth Government to amend the Interactive Gambling Act (2001) to ban the provision of credit for gambling through third party providers such as paypal and use of e-wallets where the use of credit can be masked.

Thank you once again for the opportunity to provide advice to the ABA. If you have any questions about this submission, please do not hesitate to contact our Campaigns Director Margaret Quixley [margaret@agr.org.au](mailto:margaret@agr.org.au). The Alliance looks forward to the release of the ABA's position.

Yours sincerely,



Tony Mohr  
Executive Director

### **\*Language disclaimer**

A widely used, standard definition of disordered gambling is that "Problem Gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community"<sup>12</sup>. While there is no agreement on definitions of "difficulties" or the scale of "adverse consequences" which would constitute harm, the Alliance believes that any difficulties and any adverse consequences are harmful. We avoid the use of the term "problem gambler" as it is stigmatising and victim-blaming. We recognise the Problem Gambling Severity Index used in clinical settings, but consider that even those gamblers characterised using that system as being at low or medium risk, can in fact experience significant harm. The Alliance aims to prevent or reduce harm from gambling, regardless of the risk factor of individual gamblers, and particularly with regard to their families, carers, colleagues and community, who are also impacted by gambling.

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<sup>12</sup> Neal, P., Delfabbro, P., & O'Neil, M. (2005). *Problem gambling and harm: Towards a national definition*. Commissioned for the Ministerial Council on Gambling. Prepared by the SA Centre for Economic Studies with the Department of Psychology, University of Adelaide. November 2005.  
<http://www.adelaide.edu.au/saces/gambling/publications/ProblemGamblingAndHarmTowardNationalDefinition.pdf>