HOW THE USE OF UNDER-REGULATED AND UNREGULATED BETTING WEBSITES IS RELATED TO GAMBLING PROBLEMS

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Research shows that use of offshore (Unlicensed and Unregulated, and Licensed but Under-Regulated) gambling\(^1\) is associated with greater experience of harms and gambling problems than domestically Licensed and Regulated websites.\(^2\) More people have been using offshore gambling websites since the start of the COVID-19 pandemic,\(^3\) likely due to the impact of lockdowns and a shift to online activities,\(^4\) including those not available on regulated domestic websites.\(^5\) However, this does not mean that gambling with offshore websites causes harms. It is likely that offshore websites are disproportionately used by individuals vulnerable to harms. Australian research\(^6\) found that consumers who use offshore gambling websites are more likely to be highly involved gamblers, use multiple different websites and types of gambling, and be younger, which are all factors associated with greater risk of harm. Nonetheless, there are features and practices of some offshore websites that may exacerbate gambling problems. This includes provision of games that are faster, allow higher bets and encourage continued betting, all features that are associated with harms. Offshore websites may incentivise continued gambling and typically do not provide consumer protection tools such as deposit limits. Therefore, although acknowledging that gambling on domestically regulated websites may also lead to gambling problems, if people are going to gamble online, it would be sensible from a harm-minimisation perspective for them to bet with regulated providers. Studies from Australia,\(^7\) the US, and other jurisdictions show that most people who gamble online prefer to bet with legal operators, where these are available. For example, research by the American Gaming Association\(^8\) reported that states which introduced legal online sports betting saw a 25% decrease in use of illegal bookmakers and 74% of consumers surveyed reported a preference for legal providers.

However, despite the stated preference to use domestic websites, various consumer research studies from Australia show that where a site is licensed is not always one of the main factors consumers consider in deciding which operators to bet with online. For example, in a study of 1,001 Australians\(^9\) who gambled online, only 24% of those who used domestic websites considered whether the site was locally licensed, which was still greater than the 14% of those who used offshore websites who considered this information. Furthermore, in the same study, the majority of respondents in both groups (52% of domestic, 68% of offshore gamblers) indicated they did not know their site or sites’ licensing jurisdiction. Similarly, in a US survey,\(^10\) 55% of those who bet with an offshore operator believed that they were betting with legal operators. Taking advantage of and contributing to consumer misunderstanding of where websites are licensed, many offshore operators attempt to disguise their services as being for the local market; for example, by providing a local telephone support line, taking bets in the local currency, and using themes, motifs, images, and site names that suggest that they are operating legally.

Given that offshore betting websites are associated with greater gambling harms, it is important for gambling regulators and policy makers to encourage consumers who are going to gamble to do so on Licensed and Regulated websites that can provide consumer protections. However, the availability of consumer protection measures are also not seen by bettors as an important factor in site selection\(^11\) and research suggests consumer protection tools\(^12\) are used by a minority of online bettors.\(^13\) One consideration for gambling regulators and policy makers is the extent to which restrictions on gambling, including for harm-minimisation aims, may drive consumers to less restrictive offshore gambling websites. For example, a Swedish study\(^14\) found that some people excluded from local casinos would gamble with offshore websites; indicating that this is likely occurring in other jurisdictions with national self-exclusion programmes. Other restrictions on betting products or websites may similarly result in individuals using offshore websites, potentially exacerbating gambling harms.
Internet gambling and its association with gambling problems and harms has increasingly been the focus of research and regulatory policy. However, relatively little research has examined the impact of using offshore Under-regulated or Unregulated betting websites on consumers’ experience of problems. Overall, it is likely that some consumers will bet with offshore websites as it is very difficult to prevent this. An educative rather than punitive approach is likely most effective in changing consumer behaviour, in addition to efforts to increase the difficulty of accessing illegal providers. This can be done by targeted campaigns highlighting the risks in using offshore websites, including disreputable tactics used by offshore operators and the lack of recourse to consumers.

Resources should assist consumers to identify legal operators, to know what to look for in regulated websites, and to find a way to check whether a site is locally regulated. Pop-up messages or landing pages can alert individuals who attempt to access offshore gambling websites and suggest they reconsider using these. To further reduce harm, regulators should require locally regulated websites to encourage consumers to engage with harm minimisation tools such as deposit limits and proactively identify and intervene with customers displaying risky gambling behaviours. Further research would assist regulators and policy makers to understand why consumers play with offshore websites, the risks associated with this, and how to reduce related harms.

CASE STUDY

How Unlicensed and Unregulated, and Licensed but Under-Regulated operators widen income disparity

Douglas Robinson

From a taxation perspective, betting is widely considered as being regressive in nature, resulting in lower-income bettors shouldering a proportionately larger tax burden on their bets.

In addition, and as has been highlighted in prior ARF Council publications, Unlicensed and Unregulated, as well as Licensed but Under-Regulated operators ignore their tax burdens, and in consequence pass on the negative impacts of their operations to the authorities and Licensed and Regulated operators within that jurisdiction to resolve.

Both of which beg the question: “Do Unlicensed and Unregulated, and Licensed but Under-Regulated betting networks exacerbate existing wider income inequalities within the communities in which they operate? If so, to what extent does this widening of income disparity occur, and do Unlicensed and Unregulated, and Licensed but Under-Regulated betting operators cause comparatively more income disparity than their Licensed and Regulated counterparts?”
By the very nature of their operations, Unlicensed and Unregulated, and Licensed but Under-Regulated betting networks do widen income gaps where they operate, primarily because they do not pay any taxes (which theoretically act as a means of wealth redistribution\textsuperscript{19,20}) and also, unlike many of their Licensed and Regulated counterparts, do not constructively contribute to the communities in which they operate. However, the extent to which unlicensed operators cause widening income disparities, as well as the social cost of this, has not been comprehensively examined.

Nevertheless, a recent betting preferences survey conducted in Hong Kong of 12,000 respondents over September & October 2021\textsuperscript{21} offers some indirect preliminary responses to identify the scale to which this takes place:

- Those respondents who bet exclusively with Unlicensed and Unregulated, or Licensed but Under-Regulated operators\textsuperscript{22} spent, on average, 52% of their monthly incomes doing so. The corresponding figure for those respondents who only bet via Licensed and Regulated channels is 8%.
- What is also interesting to note from these findings is the widespread use of credit among those that exclusively bet with Unlicensed and Unregulated, or Licensed but Under-Regulated operators, with 65% of bettors doing so, compared, to 4% of bettors who bet only with Licensed and Regulated operators\textsuperscript{23}.
- Of those bettors who bet on credit via Unlicensed and Unregulated, or Licensed but Under-Regulated operators, 19% indicated that they were spending in excess of 50% of their monthly personal income placing such bets. The same percentage figure for those bettors that only bet with Licensed and Regulated operators is 9%.

These findings mirror earlier evidence within existing research literature showing that Unlicensed and Unregulated, and Licensed but Under-Regulated bettors in Hong Kong are more likely to be excessive gamblers than legal ones and are more susceptible to debt, bankruptcy and loansharking\textsuperscript{24}, with that study also pointing out potential reasons for this association to hold true:

\textit{“Hong Kong illegal (bettors) share many of the characteristics of excessive gambling identified in international literature – an avid interest in gambling, high frequency gambling and a thrill-seeking nature\textsuperscript{25}.”}

Because betting with illegal operators can be shown to result in excessive betting and potentially trigger subsequent financial difficulty, it is safe to assume that Unlicensed and Unregulated or Licensed but Under-Regulated operators do in fact, engender widening income disparities in an order of magnitude above comparable Licensed and Regulated operations, although the precise extent to which they widen income inequality is an area for further study, alongside the consequent social impact of such an effect.
16 Survey conducted by IPSOS for the Hong Kong Jockey Club
17 Classificed as having ONLY bet on illegal betting products in the P12M (N=65)
18 NB: credit betting is not available in the legal market in Hong Kong though bettors can fund accounts through e.g. third-party loans or other forms of credit.
20 Ibid