



Call for Evidence: Gambling Reform

Parent Zone's submission February 2023

About Parent Zone

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 were founded in 2005 and since then have gone on to collaborate with many organisations who share our vision. The online world offers enormous opportunities to children, young people and families. But we also know it can pose huge challenges.

Our mission at Parent Zone is to improve outcomes in a connected world, so that children will be:

- safer online
- resilient to the challenges of the online world
- educated for a digital future

What should the key priorities be in the gambling White Paper?

The White Paper should set out ways to halt the growth in problem gambling; and, in particular, to prevent gambling harms among young people.

While not legally permitted to gamble, children are exposed to gambling, not only in incessant sports advertising, but also through gaming.

[93% of children aged 8-16 regularly play online games](#). These games increasingly derive their revenue from gambling-like mechanisms.

The Gambling Commission lacks the expertise to regulate gaming. Meanwhile, the Online Safety Bill only covers gaming insofar as it involves peer-to-peer interaction rather than financial exploitation.

The gambling-like behaviours in gaming include loot boxes and a range of other features and functionalities - from actual casinos (often involving 'skins' or in-game currencies) to techniques such as variable-rate reinforcement, which normalise gambling.

While it has not been possible to prove a causal link between gambling-like mechanisms in gaming and problem gambling, mainly because researchers have not been granted access to data, they have been able to prove a very strong association. Given the huge numbers of children playing online games, the precautionary principle would seem to apply. At least until we have more data, children should not be encouraged and guided into gambling-like behaviours.

The White Paper should either propose setting up a new division of the Gambling Commission to focus on gaming. Or it should propose the establishment of a separate Gaming Regulator.

Taking its cue from the regulatory regime established via the Online Safety Bill, a gaming regulator could require risk assessments and demand transparency over sources of revenue.

Gaming is subject to rapid innovation. The Gambling Commission as currently constituted cannot be expected to stay ahead of it. A specialist entity with an understanding of game design and the power to engage gaming companies in transparent reviews of their practices is needed to future-proof the protection of children online.

How broadly should the term, 'gambling', be drawn?

The current classification of loot boxes as ‘not-gambling’ reflects the thinking of a time when the internet was not ubiquitous and there were clear distinctions between online and off.

The justification used to date has been that no ‘real money’ is exchanged. But real money now encompasses crypto and virtual currencies - which are deemed valuable in their own right and which may also have an exchange rate with pounds sterling. (In many cases, a deliberately confusing exchange rate.)

A key argument has been that rewards cannot be taken out of the game. This is no longer true: there is a lively trading market in skins (the contents of loot boxes). Our work on Skin Gambling has shown the ways in which skins are often used as wagers in casino games and Esports online.

Rather than focus on the nature of the currency being exchanged, we believe the definition of gambling should be based on the nature of the activity:

- Is the outcome a matter of chance?
- Is it determined by an unknown future event?
- Does it reallocate wealth without productive work on either side?
- Can losses be avoided by not taking part?

This would bring into scope a variety of gambling-like activities in gaming.

Our own research found that over half of children thought gaming was only fun when you spent money. 22% of 7- 11-year-olds have paid for things online, 38% of those without adult supervision. When children are financial actors in their own right, earning and spending currencies (including virtual and pseudo currencies) and responding to sophisticated games design aimed at maximising revenue through ‘fun spending’, it is unrealistic to expect parents to bear all the responsibility for gatekeeping.

Is it possible for a regulator to stay abreast of innovation in the online sphere?

The alternative is to give up.

In its long gestation, the Online Safety Bill has developed robust ideas about how to future-proof online regulation. This involves powers to request risk assessments from companies and to expect service providers to know their customers and show them a duty of care, especially when they are children.

A similar approach to gambling and gaming will require greater transparency from the organisations involved than they have shown in the past - but if Google and Meta can operate under such a regime, there is no reason others can't.

Parents are struggling to manage their children's online spending (often concealed as 'play'). If the government is serious about protecting children from gambling harms, it has no option but to find the means to stay up to date with what is happening online. This should not be impossible if there is sufficient focus from a specialist regulator.

What additional problems arise when online gambling companies are based outside of UK jurisdiction?

The Government has a responsibility to protect its own citizens. Again, the Online Safety Bill shows how this might work in a complex world: its provisions apply to any platform or service operating in the UK, regardless of where it is domiciled.

The fact that most gambling is run out of Gibraltar to avoid UK taxes should not mean that gambling - and gaming - is not subject to UK gambling regulation.