

25 June 2021

Committee Secretary  
Parliamentary Joint Committee on Corporations and Financial Services  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Committee Secretary

Thank you for the opportunity to contribute to your inquiry into the regulation of the use of financial services such as credit cards and digital wallets for online gambling in Australia.

**Endeavour Foundation** was founded 70 years ago by pioneering families that found the education system excluded children with disability. Today, we provide services and supports for the basic human rights that so many others take for granted like access to learning, living in a safe home and having a job. We champion equality, inclusion and accessibility for people with intellectual disability - our most marginalised and vulnerable Australians.

Endeavour Foundation is highly supportive of the inquiry into the use of financial services such as credit cards and digital wallets for online gambling in Australia and would be willing to assist the committee further with the inquiry.

**In summary**, we seek to bring to the attention of the committee a potential adverse consequence of prohibiting credit card payments for online gambling. Unless any reform expressly excludes charitable lotteries (including art unions) run by not-for-profit organisations, it may inadvertently capture these fundraising activities. The result would be a significant adverse impact on the ability of these not-for-profit organisations to provide essential services to marginalised and vulnerable Australians. This would be an unfortunate consequence, particularly considering that the underlying nature of charitable lotteries programs are less likely to cause harmful consequences. Our submission specifically addresses the following terms of reference; extent of consumer detriment, regulatory approaches used in other relevant jurisdictions; and the potential consequence on the viability of not-for-profit organisations as a related matter.

## **Background**

Charitable lotteries (including art unions) form a critical part of the economic fabric of Australian society by being a source of income for many not-for-profit organisations, such as charities, sporting clubs, and social clubs. They enable funding of essential services to vulnerable groups of people where no, or limited public funding is available. They are governed together on a state-by-state basis under specific charitable lotteries (including art unions) regulatory frameworks and are generally defined as lotteries where the winner is chosen through a ticket draw, with a set minimum amount of the gross proceeds being required to be paid to the non-profit organisation.<sup>1</sup>

They are run by a variety of different charitable not-for-profit organisations including Endeavour Foundation, the Retired Services League, Mater Hospital, Surf Lifesaving, MS Society, Deaf Society and Yourtown.

These charitable lotteries also form part of the social fabric of Australian society as a popular fundraising mechanism. Their popularity in Australia is shown by the high number of prize home charitable lotteries and their longevity and durability through economic crises such as COVID-19 and the 2008 Global Financial Crisis. One of the key drivers of their popularity is the deep connection between consumers (often referred to as “supporters in the charitable lotteries and art unions sector) and the cause and impact of the respective not-for-profit organisation. This is evident in the communication with supporters which predominantly features the cause and impacts of the charitable not-for-profit organisations. Further, it may be that while Australia’s housing affordability crisis persists, the enduring success of charitable lotteries with prize homes are also inextricably tied to the Australian dream of ‘owning your own’ home.

## **Viability of Not-for-Profit Organisations**

Endeavour Foundation’s charitable lotteries program is critical to Endeavour Foundation’s ability to deliver services to people with intellectual disability in Australia. Although the disability sector receives funding under the National Disability Insurance Scheme (NDIS), only 63% of Endeavour Foundation’s total revenue is derived from government sources, with most of the remaining funding derived from our charitable lotteries program. Without this program, we would not be able to deliver innovative programs and services throughout

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<sup>1</sup> See for example NSW Fair trading rules <https://www.fairtrading.nsw.gov.au/community-gaming/art-unions>. Depending on the State or Territory and a set percentage may need to be returned to charity (e.g. 30% in NSW). Endeavour Foundation charitable lotteries fall under the Category 3 ‘Game’ where the prize pool is substantial (e.g. at least \$30,000 in NSW and \$50,000 in Queensland).

Australia to the extent we are able to today. Without this program, we would jeopardise our capacity to provide services and supports for the basic human rights that so many others take for granted like access to learning, living in a safe home and having a job. The absence of this program going forward would detract from our ability to champion equality, inclusion and accessibility for people with intellectual disability - our most marginalised and vulnerable Australians.

### **Consumer Detriment**

Charitable lotteries (including art unions) are different from gambling services targeted by these proposed reforms. Gambling is traditionally considered an activity where people risk money or belongings to win a prize, and there is an element of chance involved.<sup>2</sup> Most people who gamble do not have a problem, but some people can become compulsive gamblers at some point in their life, where they lose control of their betting and it negatively impacts their life.<sup>3</sup> Harmful gambling generally involves gambling activities that enable instant gratification where a person chooses the ***small and immediate reward***, rather than the potentially larger reward at a later time. Further, problematic gambling generally involves compulsive gambling where a person acts on impulse and continually chases bets that lead to losses, deplete savings, accumulate debt, or lead to criminal activities to support a person's addiction. Research regarding problem gambling primarily relates to betting in offline and online environments.<sup>4</sup> Such behaviour is generally associated with a tendency to take risks, and the personal inability to delay gratification. Charitable lotteries on the other hand, involve delayed gratification (most charitable lotteries run for over four weeks, with several weeks on average between ticket purchase and prize draw) and very few people receiving a reward (most programs have one single primary prize winner). They are therefore less likely to attract problem gamblers seeking immediate gratification, the thrill of risk taking, or quick returns, and are generally regarded as low risk activities.

### **Regulatory Approaches Used in Other Relevant Jurisdictions**

There are significant risks that legislative reforms could inadvertently capture charitable lotteries and art unions in Australia (currently regulated by State and Territory legislation) in the same way that recent UK legislation banning credit cards has captured large society

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<sup>2</sup> <https://www.gamblinghelponline.org.au/understanding-gambling/what-is-gambling>

<sup>3</sup> <https://www.healthdirect.gov.au/gambling-addiction>

<sup>4</sup> For example BETA and DSS (2020). Applying behavioural insights to online wagering  
<https://behaviouraleconomics.pmc.gov.au/projects/applying-behavioural-insights-online-wagering>

lotteries in the UK.<sup>5</sup> UK society lotteries are lotteries promoted for the benefit of a non-commercial society, and are similar to charitable lotteries in that they must be for charitable purposes, or the purpose of enabling participation in, or supporting sport, athletics or a cultural activity. In the UK, society lotteries provide invaluable funding for charities and local causes.

From 14 April 2020, new gambling laws came into operation in the UK banning credit cards from being used to pay for gambling online.<sup>6</sup> Despite strong opposition, this legislation captured the operation of society lotteries. The ban was applied to all types of remote lottery licences and payment methods, so that credit card payments for lotteries could no longer be accepted online, on the phone, or other electronic means. However, postal and face-to-face payments by credit card remained permissible. This was an important allowance in the UK context because consultation found that many society lotteries operated charity shops or could use other retail premises to facilitate the sale of face-to-face tickets and thereby work around the credit card restrictions.<sup>7</sup> This allowance is not applicable in the Australian context where postal orders and face-to-face options are extremely limited and represent a nominal portion of purchases.

The Gambling Commission's consultation noted that all the society lottery operators consulted were against a ban on lottery payments for society lotteries. The consultation found that only approximately 3% of transactions to buy lottery tickets came from credit cards.<sup>8</sup> They also found society lotteries represented lower risk in terms of gambling-related harm. Despite this, the UK Gambling Commission proceeded with including society lotteries within their credit card ban.

If equivalent legislation were passed in Australia, it would have a devastating impact upon the operation of charitable lotteries (including art unions). Endeavour Foundation, like others, rely heavily on the use of credit cards, and unlike UK operators do not operate charity shops or other retail premises. For Endeavour Foundation **over 75%** of transactions come from credit cards. This is significantly greater than the UK scenario which was up to 3% of transactions impacted.

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<sup>5</sup><https://www.gamblingcommission.gov.uk/news-action-and-statistics/News/guidance-for-society-lotteries-and-external-lottery-managers-on-the-credit-card-ban-and-gamstop>

<sup>6</sup><https://www.gamblingcommission.gov.uk/news-action-and-statistics/News/guidance-for-society-lotteries-and-external-lottery-managers-on-the-credit-card-ban-and-gamstop>

<sup>7</sup> 3.48 <https://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/consultation-responses-2020/Changes-to-licence-conditions-and-codes-of-practice-on-the-use-of-credit-cards-for-gambling.aspx>

<sup>8</sup> See 3.37 <https://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/consultation-responses-2020/Changes-to-licence-conditions-and-codes-of-practice-on-the-use-of-credit-cards-for-gambling.aspx>

## Conclusion

The risks of harm associated with using credit cards to purchase charitable lotteries tickets is incredibly low, as affirmed by the UK Gambling Commission's own findings regarding Society Lotteries<sup>9</sup>. A key reason why people buy tickets in Endeavour Foundation charitable lotteries is to help raise funds for vital services that support people with intellectual disability to lead their best possible lives. Without the ease of credit card payments, our charitable lotteries program would reduce by over 75% and our fundraising capabilities and long-term viability would suffer significantly.

### Recommendation:

Any legislative amendments in this important area of reform should expressly exclude charitable lotteries (including art unions) run by not-for-profit organisations.

This is to ensure the amendments do not inadvertently capture fundraising activities, resulting in a significant adverse impact on the ability of these not-for-profit organisations to provide essential services to marginalised and vulnerable Australians.

We thank you for the opportunity to provide a submission to the inquiry, and welcome any additional questions or requests for further information.

We would also be willing to assist the committee further with its inquiry.

Yours sincerely,

Steven Waters  
Executive General Manager  
Endeavour Foundation

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<sup>9</sup><https://www.gamblingcommission.gov.uk/consultation-response/changes-to-licence-conditions-and-codes-of-practice-on-the-use/the-role-of-operators-in-affordable-gambling>