

# part three

## why regulate?



# chapter fifteen

## Keeping Crime out of Gambling

15.1 It is a theme of this Report that we should provide greater freedom for adults who want to gamble, particularly in the tightly regulated conditions of casinos. We wish them to retain their current freedom to bet at racecourses or in betting shops. We believe this freedom should be balanced by ensuring, as far as we can, that gambling is crime free, for the benefit of the citizen in general and the punter in particular. In this section we examine the question of the type and scale of regulation that may be necessary to achieve this end. All commercial activities are vulnerable to criminal infiltration and activity, involving potential loss to the employer or the customer. In most cases the remedy lies in the criminal law and in systems designed to deter or prevent criminal activity. We consider whether gambling requires specific regulations that go beyond the normal criminal law.

15.2 The following aspects of gambling suggest that there may be particular problems:

- gambling involves the circulation of large sums of money, mainly anonymously
- that in turn provides opportunities for money laundering
- punters can be vulnerable and may be easily cheated
- games can be rigged and improper attempts can be made to influence the outcomes of events
- the profitability of gambling can encourage attempts to enforce control over potential suppliers to keep out competition.

15.3 It is also important to note that gambling is wholly or partly illegal in many countries. Thus those who provide gambling in such countries to meet the demand for it are themselves committing criminal offences and may be involved in other criminal activities. Since the activity is illegal the debts that arise cannot be enforced through the courts, and other means, including violence, can be used to retrieve them. History in this country and elsewhere shows that gambling attracts criminals and that the criminal law by itself may not be sufficient to deal with the problem.

15.4 The Gaming Act 1968 was itself a response to widespread criminal involvement in gambling that occurred following the 1960 deregulation of casinos. New regulations and the establishment of the Gaming Board were designed to make gaming crime free. The overwhelming majority of submissions to us, including

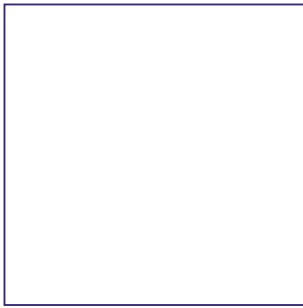
those from the police service and the gambling industry, agree that the 1968 Act has been a success and that we need to retain a strong and effective central regulator. It is evident that the Gaming Board has been successful in tackling criminality and in doing so it has developed an industry with an enviable international reputation for integrity.

15.5 Whilst the Gaming Board has been extremely successful there have been occasions since 1970 when parts of the industry have succumbed to criminal behaviour and the Gaming Board has been able to act swiftly to eliminate the problem. Improper use of credit, corruption to obtain new clients, skimming of the take and illegal loans have required the intervention of both the Gaming Board and the police. We have no doubt that the appropriate use of Gaming Board powers has enabled the problems to be dealt with administratively in relation to certification as well as criminally. The use of administrative rather than criminal powers has been successful in finding solutions to such problems, often resulting in corporate restructuring and new appointments so as to regain the trust of the Board.

15.6 The evidence of the police service reminds us that where the industry operates in unregulated parts of the world criminal groups are attracted to and influence the organisation of gambling. We have been given specific examples of activities and involvement of individuals in unregulated jurisdictions that would not be tolerated in our domestic industry. We conclude that the reasoning that led to the 1968 Act and its regulation is still appropriate today. Criminals and criminality still pose a threat to an unregulated industry. The types of controls which already apply to casinos, bingo and lotteries should remain in place. Our recommendations for the type of regulator and the regulations that are warranted are set out in Part 4 of this report.

### Betting

15.7 A major question for us has been whether the risks of criminal involvement in betting justify a tightening of regulation for this section of the gambling industry, which under current arrangements is subject to a rather different, and generally lighter, regime. Bookmaking is not regulated by the Gaming Board and bookmaker's permits are granted by local licensing magistrates. We do not doubt that the great majority of the betting industry operates perfectly legally and honestly and we would not add to the regulatory burden upon it unless we believed such a move was justified.



15.8 Several of the features listed in paragraph 15.2 above apply to bookmaking and it would appear that it is vulnerable to criminal involvement. However the fact that bookmaking was not included in the 1968 Act suggests that the type of criminal involvement that had become rife in casinos was not widespread in bookmaking. We have no reason to believe that it was.

15.9 Nevertheless, a number of the submissions we have received suggest that bookmaking should be more tightly regulated. The Metropolitan Police told us “practices and relationships have developed over the years which range between the highly questionable and the overtly corrupt”. As we describe in chapter 26 we believe that there are shortcomings in the current system of permits, risks of corrupt relationships between bookmakers and those involved in sports, and worries about opportunities for money laundering which justify a centralisation of the licensing of individuals and tighter controls over bookmaking activities. We do not believe that the proposed changes are unduly onerous and we believe that the bookmaking industry would benefit from the enhanced reputation that such regulation would bring.

### Gaming Machines

15.10 The lack of enforcement powers against the operators of illegal gaming machines is something that frustrates both the legitimate industry and regulators. By illegal gaming machines we mean those that are unlicensed or those that are situated in premises in which they are not permitted. We have been told that illegal machines are sometimes fixed to operate in a manner that is not fair and honest. Even if they are operated fairly, they may be situated in such a place that children are attracted to play on machines to which they would not otherwise have access. To address these concerns, we are making recommendations about the licensing of arcade operators, the siting of gaming machines and the powers, including confiscation, of the regulator to deal with illegal and unlicensed machines.

### On-line Gambling

15.11 On-line gambling is becoming increasingly popular, but is regulated in few jurisdictions. We have seen press reports and heard anecdotal evidence that there are parts of the world where internet gambling sites are run by or for the benefit of criminals. This is bad for the punter and for the regulated industry. We cannot regulate every on-line gambling site that British punters could access, but we believe it is possible to regulate on-line gambling operating from Great Britain. We discuss that in chapter 30.

### Illegal Gambling

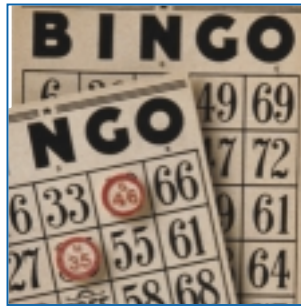
15.12 Our attention has been drawn to the existence of gambling enterprises that operate illegally and outside of the relevant legislation. The police told us of the problem, and the Gaming Board in its evidence reported “there is evidence of considerable illegal gambling throughout the country in respect of which the Gaming Board has no powers and the police little resources to take action”.

15.13 Illegal betting is difficult to quantify but we have heard evidence of such activity on racecourses and in pubs and clubs.

15.14 We are aware that illegal gambling takes place in a variety of locations and is often confined to particular communities. It may be stretching the description of a casino to apply the word to this activity. Perhaps the best known example is that of illegal Chinese gaming houses in some cities. That activity is often quite overt; the obvious example is in parts of Central London. Elsewhere illegal gambling takes place in cafes, pubs and clubs.

15.15 We understand that enforcement of the existing law against such enterprises is at best patchy and often non-existent for a number of reasons:

- the Gaming Board has no powers to detect or prosecute such offences
- unless the activity is accompanied by other criminality or disorder the police see prosecution as being low in their list of priorities
- the police often prefer to know of such locations rather than to drive them underground, in order to maintain contact with those who participate
- detection of the real beneficiary is at best difficult and often disproportionately expensive in time and resources
- as a result, those prosecuted as organisers are often at the low end of offending level
- there are no powers to ‘close down’ the facility
- the courts often impose very low penalties
- the communities in which such activities occur are often supportive and might not complain about their existence
- in some communities the process of dealing with offenders may cause more discord than the original offence itself



- as a consequence police are keen to balance their activity in the overall interest of the local community

**15.16** We sympathise with many of these points and understand the fine judgements that have to be drawn in making decisions in the best interest of a particular community. Nevertheless we agree with Rothschild that the “law ... should not be allowed to fall into disrespect and disuse”. Our recommendations in this difficult area are set out in chapter 33.