

Online prize draws and competitions: Gambling products outside the United Kingdom regulatory framework

The United Kingdom (UK) gambling industry is quickly expanding [1], and evidence increasingly shows that product design features drive gambling harms [2–4]. Although licensed operators must comply with the Gambling Act 2005 [5], prize draws and competitions (PDC) are a growing sector that operates outside this framework.

PDC are lotteries in which consumers purchase entries to win prizes (e.g. cash, cars or houses) with some draws culminating in multi-million-pound prize pools (see Figure 1). An estimated 7.4 million UK consumers spent £1.3 billion on PDC last year across over 400 operators, 95% of which have been incorporated since 2015 [6].

Under the Gambling Act 2005 (s.14) [5], an arrangement is defined as a lottery if participation requires payment, prizes are allocated and allocation relies wholly on chance. PDC avoid this classification if they involve an element of skill or offer a free entry route [7]. Most PDC operators offer ‘dual-route’ entry whereby consumers pay online or enter for free by handwritten postcard. Notably, only 6% of entries come via the ‘free’ route, which often costs more than the paid option [6], raising questions about whether the free-entry route complies with the requirement that it be ‘no less convenient’ than the paid route [8]. Competitions satisfy the skill requirement through

simple questions such as ‘What day comes after Tuesday?’ [6]. As PDC are not classified as lotteries, operators are not required to hold a gambling licence and are exempt from being required to implement consumer protections such as age verification, self-exclusion, responsible gambling messaging and gambling duty.

The 2023 Gambling White Paper acknowledged the sector’s rapid expansion [9]. A subsequent report by London Economics, commissioned by the Department for Media, Culture, and Sport (DCMS) found that 88% of PDC participants also engage in licensed gambling, that PDC users are significantly more likely to experience gambling harm than users of other gambling products and that spending increases proportionally with harm severity [6]. Over two-thirds of PDC consumers agreed that PDC are addictive. The report recommended regulatory intervention, noting that licensing would be the most impactful measure in reducing gambling harms. In response, the DCMS introduced a Voluntary Code of Good Practice [10], listing measures such as age restrictions, deposit limits and credit card caps. The code is entirely voluntary, with no repercussions for non-compliance, and notably omits responsible gambling messaging.

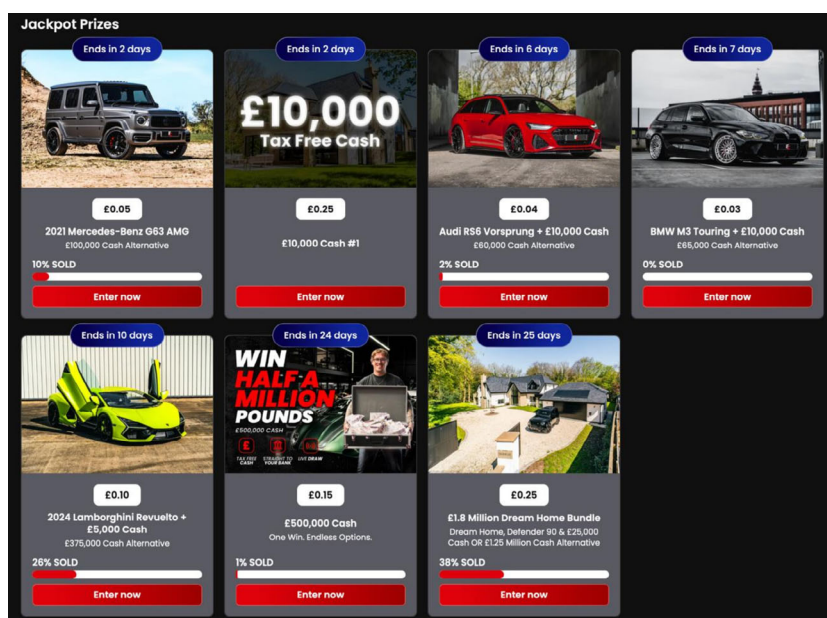


FIGURE 1 An example of active prize draws on a prize draws and competitions (PDC) operator website.

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The case for classifying PDC as gambling products requiring a licence is clear, given that their characteristics are indistinguishable from commercial lotteries and that many of their consumers are vulnerable to harm. Should licensing be introduced, conditions could be imposed on product design, marketing and safer gambling measures. We maintain that a Voluntary Code is an insufficient measure to address an unregulated and potentially harmful gambling market operating at scale.

KEYWORDS

consumer protection, gambling, gambling harms, policy, prize draws and competitions, regulation

AUTHOR CONTRIBUTIONS

Jack McGarrigle: Conceptualization; writing—original draft; writing—review and editing. **Jamie Torrance:** Writing—review and editing; supervision. **Martyn Quigley:** Writing—review and editing; supervision. **Simon Dymond:** Writing—review and editing; supervision.

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