

Rt Hon Theresa May MP
House of Commons
London
SW1A 0AA

17 September 2013

Re: Criminal damage, money laundering, illegal profits and profits from criminals in betting shops

Dear Rt Hon Theresa May MP,

We recently sent the attached documents to all MPs which resulted in this response from a PLC bookmaker on Central Lobby [1]. A recent article in the Daily Mail [2] highlighted a decrease in **reported** crime in betting shops and explained that the Safe Bet Alliance had received a Home Office award. But one of the first eight comments on this article was:

"Having worked in one I can say that over 50% of betting shop crime is simply **not reported** in case it makes the news. Bookies prefer to keep it hush hush as it might scare people away from using their shops. This IS the reality."

The reality of crime reporting in betting shops was publicised last year by Panorama [3] when they revealed a national bookmaker was advising the non-reporting of crime by its staff. We are aware of this practice across other bookmakers.

The Gambling Commission (GC) has allowed some crimes in betting shops, such as certain incidents of damage to machines, not to be reported to themselves or to the police. The GC has a duty to work with local authorities (LAs) in enforcing the objectives in the Gambling Act, but LAs cannot be correctly informed if data is incomplete.

The bookmakers are trying to avoid having to comply with the recent EU directive on money-laundering. They are using the excuse that it will be too cumbersome to interrupt a high-stake gambler placing a bet right before a race to comply with the directive. However, this is a false representation.

t: 0203 600 0167

info@fairergambling.org info@stopthefobts.org fobts@bcsagency.com

www.stopthefobts.org  /stopthefobts www.fairergambling.org

represented by bcsAgency t: 0115 948 6900

88-90 North Sherwood Street, Nottingham, NG1 4EE, UK

Bookmakers do not accept large cash wagers on horse or sport events from unknown gamblers in betting shops for fear that they have information. Online account holders can be monitored electronically and restricted automatically; this isn't possible in betting shops and relies on what are termed 'trading principles' to be enforced by shop staff. These apply limits to all events and bets and there are no staking limits beyond £1,000. Horse and greyhound betting can be restricted to as low as £50.

The real reason bookmakers oppose the measure is that the roulette machines known as Fixed Odds Betting Terminals (FOBTs), and designated as B2s, are the main source of net profits. There are no cash restrictions on FOBTs. Gamblers who play FOBTs prefer anonymity and often load up large amounts of cash, which can be easily laundered.

We recently conducted the following investigations. Two operatives from one investigator visited two Paddy Power shops in Newham and two operatives from another investigator visited a William Hill shop in Luton. Each team was instructed to place £500 in a FOBT, have a bet of £50 on red and £50 on black in the same transaction, repeat that twice, press the cash-out button, obtain the receipt from the FOBT and obtain the cash over the counter. A photo of the FOBT receipt or an over-the-counter receipt can serve as "proof" of source of funds.

This resulted in three wager totals of £100 per spin in each shop. If the ball landed on zero then the £100 would be lost, but if red or black won then one £50 wins at 1 to 1 recovering the losing £50 for a £100 payback. The cash out amount was £500 in each shop.

These transactions should have been identified as suspicious. The amount out equalled the amount in. There was only around a minute of actual gambling, and the turnover was only 60% of the amount deposited. This contrasts with an estimated average of around 650%, as multiple bets and paybacks enable turning over far more than the initial cash sum. More importantly, the bets could result in a loss but could never result in a win. The theoretical risk of 2.7% of £300 being just over £8 is the theoretical cost of laundering each £500.

Collation of historical data from betting shops could identify which shops and/or which areas have a higher prevalence of above average amounts deposited accompanied by below average turnover as percentage of deposit. This would identify the most likely money laundering shops and/or areas. This

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data could not identify all attempted money laundering locations as any FOBT gambler, including money launderers, may become prone to FOBT problem gambling, so diminishing this identifier.

Betting shops have a terrible record of allowing underage (under 18) gamblers on FOBTs. The poor level of enforcement to protect the young and vulnerable was first highlighted in 2009 by the Gambling Commission with 98% and 35% failure rates [4]. The funds obtained from these gamblers are obtained illegally, but no civil, financial or criminal penalties are applied. These young persons do not record their losses and so are not in a position to bring legal action to successfully recover their stakes as the law allows.

FOBTs in over ten years have grown to a gross annual win for bookmakers of over £1.5 billion. Crime by FOBT addicts to fund their FOBT gambling is **NOT** being considered. There is no British research related to this and none planned. There is no exact equivalent international research as no other government has been foolish enough to allow the FOBT situation we have here.

So the Safe Bet Alliance, whilst having some impact on the betting shop robberies it was designed to tackle, is having no impact in some of the more serious aspects of crime within and relating to betting shops.

The Campaign for Fairer Gambling will be exhibiting at the Labour Party Conference (stand 135) and the Conservative Party conference (stand 39) later this month. We encourage you to visit our stand to discuss this matter in greater detail.

Please contact us with any questions related to these matters.

Yours sincerely,



Derek Webb
Founder, Campaign for Fairer Gambling
www.fairergambling.org

CC: Rt Hon Yvette Cooper MP

t: 0203 600 0167

info@fairergambling.org info@stopthefobts.org fobts@bcsagency.com

www.stopthefobts.org  /stopthefobts www.fairergambling.org

represented by bcsAgency t: 0115 948 6900

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References:

- [1] <http://centrallobby.politicshome.com/latestnews/article-detail/newsarticle/part-truths-and-scaremongering-over-gambling-machines/>
- [2] <http://www.thisismoney.co.uk/money/news/article-2401411/Anti-gambling-protesters-fear-outbreak-betting-shops-high-streets.html>
- [3] http://www.bbc.co.uk/iplayer/episode/b01nm27r/Panorama_Gambling_Nation/
- [4] http://www.gamblingcommission.gov.uk/ghmedia/latest_news/2009/mystery_shopping_part2.aspx

Attachments:

- [1] Cover letter to all MPs
- [2] Lone staffing letter to all MPs
- [3] Stop Violence in Betting Shops Campaign: A proposal for a cross government summit by Rt. Hon Ian McCartney MP

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