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Gambling credit card ban: will it help gamblers and hit bookies?

A ban on gambling firms from accepting credit cards is designed to reduce harm to consumers, but how much effect will it have still remains a question for debate.

The UK Gambling Commission confirmed the crack down on Tuesday, affecting "all forms of land-based and online gambling" from 14 April, including high street and racecourse bookmakers and digital gaming operators.

The ban includes payments from e-wallets such as PayPal, which are funded by credit cards, with the e-wallet industry having "indicated that solutions to support a ban are generally available to their members".

Firstly, there were questions about whether it will actually help people who have a gambling problem.

"Credit card gambling can lead to significant financial harm. The ban that we have announced today should minimise the risks of harm to consumers from gambling with money they do not have," said Neil McArthur, chief executive of the Commission.

He pointed to examples where some gamblers have accumulated tens of thousands of pounds of debt through gambling funded by credit cards.

According to the Commission, around 800,000 people use credit cards to gamble and 22% of them are problem gamblers, nearly three times higher than the rate among online betting customers.

During the consultation before the decision, the Commission was told by some respondents who did not support this ban that problem gamblers could take out payday loans or extract cash from ATMs with their credit cards.

The watchdog imposed the ban anyway, as it said it would "reduce the risks of harm to many consumers" and "add levels of friction to the process of gambling".

The house always wins?

Gaming operators have generally said that they expect only a marginal impact from the change, analyst Ivor Jones at Peel Hunt noted.

"Still, saying anything else would imply knowledge of players spending borrowed money that they cannot afford, which isn't supposed to be happening anyway," he acknowledged, adding that the impact for the companies will not be known until the second half of 2020.

But analysts at Barclays have already forecast a "3%/4%" earnings per share downside in 2021 for Ladbrokes owner GVC Holdings PLC (LON:GVC) and William Hill PLC (LON:WMH), though that is "without assuming a switch to debit

Price: 862.8

Market Cap: £5.03 billion

1 Year Share Price Graph



Share Information

Code: GVC

Listing: AIM

52 week High: 956.8
52 week Low: 504

Sector: Leisure, gaming and gambling

Website: www.gvc-plc.com

Company Synopsis:

GVC Holdings PLC (LON:GVC) is one of the world's largest sports betting and gaming groups, offering sports betting, casino, poker and bingo and operate some of the industry's largest online brands including bwin, Sportingbet, partypoker, partycasino and Foxy Bingo.

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card deposits".

There was a muted reaction from the likes of GVC and Betfair and Paddy Power owner Flutter Entertainment PLC (LON:FLTR) on Tuesday, which Richard Hunter, head of markets at Interactive Investor, suggested was "telling".

The potential for real growth for the likes of Flutter and GVC, which also owns major online brands Sportingbet and Party Poker, is not necessarily on UK shores, Hunter says.

"For example, there have been a couple of developments which have driven online gaming, and sports betting in particular, to new levels."

Increased mobile penetration has been a major factor, he explains, pointing to research from H2 Gambling Capital that estimates mobile usage for online gaming will rise from 41% in 2018 to over 50% in 2022.

Elsewhere, the relaxation of regulations banning sports betting has opened another door, the US being a key example.

While the UK gambling companies all had at least a small presence in the States and were quick to team up with US partners as GVC did with MGM Resorts, or acquire local brands as Flutter did with FanDuel, in order to capitalise.

With 19 states so far opening up the betting market, including the likes of New Jersey, Nevada, West Virginia and New Mexico, it provides a "massive opportunity", says Hunter.

If Flutter, can successfully completed the all-share acquisition agreed late last year of Canadian online poker giant Stars Group Inc (TSE:TSGI), it will create the world's largest online betting and gaming operator, worth an estimated £10bn.

More crack-downs to come?

But it's not likely to be the end of the regulatory pressure in the UK for the bookies, with Gambling Commission CEO McArthur saying the ban needed to be accompanied by other efforts.

"The ban is part of our ongoing work to reduce gambling harm. We also need to continue the work we have been doing with gambling operators and the finance industry to ensure consumers only gamble with money they can afford to spend."

A limit on online gambling stakes of £2 per spin has been proposed by MPs, for example.

"Like the ban on credit cards, a £2 maximum stake would not solve problem gambling, but both may slow the rate at which problem gamblers can spend money and be seen as 'good enough' by the UKGC, with the impact on revenues simply acceptable collateral damage," says Peel Hunt's Jones.

Barclays also flagged expected scrutiny on the treatment of VIP customers after it was mentioned in recent article in the Guardian.

"Thoughts will now turn to 2020 where we continue to expect regulation to be a key theme.

"We think that the industry needs to proactively deliver a cohesive self-regulatory framework to remain investable in the long run."

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