

## Lotteries and the Law (Gambling Act 2005)

Advice for society and local authority lotteries, May 2007

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### 1 Introduction

- 1.1** This advice provides a general guide to the main principles and requirements of lotteries law as contained in the Gambling Act 2005 which repeals the Lotteries and Amusements Act 1976. It is primarily intended as advice for large society and local authority lotteries promoted under licence from the Gambling Commission ("the Commission").
- 1.2** The advice is not comprehensive or a binding interpretation of the law and anyone intending to run a lottery should refer to the Gambling Act 2005 ("the Act") and if necessary seek independent legal advice to ensure that they conform to the law before proceeding. Separate advice has been issued to local authorities in respect of small society lotteries under their jurisdiction.
- 1.3** The Act introduces a new regulator for all gambling (except the National Lottery and spread betting) in Great Britain, the Gambling Commission. It also introduces a new licensing regime for society and local authority lotteries and a registration system for small society lotteries.
- 1.4** The Act creates two broad classes of lottery; first large society lotteries and lotteries run for the benefit of local authorities which will be licensed by the Gambling Commission, and secondly exempt lotteries, including small society lotteries which will be registered with licensing authorities (local authorities).
- 1.5** The Commission does not regulate the National Lottery, which continues to be regulated by the National Lottery Commission under separate legislation.
- 1.6** The Act has three licensing objectives which underpin the functions that the Commission and licensing authorities will perform. These objectives are central to the new regulatory regime created by the Act. They are:
- preventing gambling from being a source of crime or disorder, being associated with crime or disorder, or being used to support crime;
  - ensuring that gambling is conducted in a fair and open way; and
  - protecting children and other vulnerable people from being harmed or exploited by gambling.
- 1.7** The Gambling Act 2005 allows for a general relaxation of lottery law, in particular it:
- relaxes the limits on the percentage of proceeds that may be applied to expenses or prizes;
  - allows rollovers of the prize fund from one lottery to another;
  - allows for the sale of tickets by an automated process; and
  - removes the maximum price for a lottery ticket.

## 2 Definition of a lottery

**2.1** An arrangement is a simple lottery if:

- persons are required to pay to participate in the arrangement;
- in the course of the arrangement one or more prizes are allocated to one or more members of a class; and
- the prizes are allocated by a process which relies wholly on chance.

**2.2** An arrangement is a complex lottery if:

- persons are required to pay to participate in the arrangement;
- in the course of the arrangement one or more prizes are allocated to one or more members of a class;
- the prizes are allocated by a series of processes; and
- the first of those processes relies wholly on chance.

**2.3** By virtue of section 14(5) of the Act, for the purpose of these definitions a process which requires persons to exercise skill or judgment or display knowledge is to be treated as relying wholly on chance if:

- the requirement cannot reasonably be expected to prevent a significant proportion of persons who participate in the arrangement from receiving a prize; and
- it cannot reasonably be expected to prevent a significant proportion of persons who wish to participate in the arrangement from doing so.

## 3 Types of lotteries

### Society lotteries

**3.1** Society lotteries are lotteries promoted for the benefit of a non-commercial society. A society is non-commercial if it is established and conducted:

- for charitable purposes;
- for the purpose of enabling participation in, or of supporting, sport, athletics or a cultural activity, or
- for any other non-commercial purpose other than that of private gain.

### Local authority lotteries

**3.2** A local authority may use the net proceeds of its lottery for any purpose for which it has power to incur expenditure.

### Exempt lotteries

**3.3** Exempt lotteries do not require a licence from the Gambling Commission, although small society lotteries are required to register with their local authority. In addition to small society lotteries, exempt lotteries include:

- incidental non-commercial lotteries – commonly held at charity fund raising events;
- private society lotteries – only members of the society and those on society premises can participate in the lottery;
- work lotteries – only people who work together on the same premises may participate;
- residents' lotteries – only people who live at the same premises may participate; and
- customer lotteries – only customers at the business premises may participate.

Detailed guidance on exempt lotteries is given at pages 13 to 15.

## The National Lottery

- 3.4** The National Lottery, currently operated by Camelot, will continue to be regulated by the National Lottery Commission. Lotteries that are regulated by the National Lottery Commission will not require a Gambling Commission licence or registration with the licensing authority.

## 4 Large society and local authority lottery licensing requirements

- 4.1** If the arrangements for a society lottery are such that total proceeds (ticket sales) from it may in a single society lottery exceed £20,000 or proceeds of previous lotteries in the same calendar year have already reached or may, taking into account that lottery in question, reach £250,000 in one calendar year then the lottery is a large lottery and may only be run under a lottery operating licence issued by the Commission.
- 4.2** If a society promotes a lottery which, applying the above rules, is a large lottery (“the first lottery”) then every subsequent lottery it promotes in that year and in the following three years will also be a large lottery and will require the society to hold a lottery operating licence issued by the Commission.
- 4.3** Society and local authority lotteries who allow players to participate in their lottery by means of remote communication will be required to hold a remote lottery operating licence, whether or not their activities also require them to hold a non remote lottery operating licence.
- 4.4** All local authority lotteries must be run under an operating licence issued by the Commission.
- 4.5** General information about the Gambling Commission's licensing requirements is given in this document. Specific guidance is available on the Commission's website under the heading "Applying for a licence".

## 5 Small society lotteries

- 5.1** Societies who run small society lotteries, that is to say lotteries which are not large lotteries (essentially those in which £20,000 (or less) worth of tickets are put on sale and where the society's aggregate proceeds from lotteries do not exceed £250,000 a year) may operate without a Gambling Commission licence provided they register with their local authority.
- 5.2** The promoting society of a small society lottery must, throughout the period during which the lottery is promoted, be registered with a local authority in England and Wales or licensing board in Scotland.
- 5.3** The societies will be required to be registered with their local authority in the area where their principal office is located. If the local authority believes that the society's principal office is situated in another area it should inform the society as soon as possible and if possible inform that other authority.
- 5.4** Details of registration requirements and procedures will be available from the licensing department of the relevant local authority.
- 5.6** Societies who run small society lotteries under registration with a local authority and who sell tickets by means of remote communication (Internet, telephone etc) will not be required to hold a remote gambling licence issued by the Commission.

## 6 Personal Management Licences

- 6.1** A society or local authority licensed by the Gambling Commission is required to have at least one Personal Management Licence (PML) holder if they have more than three people in “qualifying positions”.
- 6.2** A “qualifying position” is one where a person by the terms of their appointment has primary responsibility for:
- the management of the licensed activity (ie the lottery);
  - the financial affairs of the society;
  - ensuring the society complies with the requirements of the Gambling Act;
  - the marketing of the lottery; or
  - management of the IT used in connection with the lottery.
- 6.3** In deciding who should hold the PML a society or local authority should identify the relevant senior individual who can take overall management responsibility for the promotion and proper management of the lottery and for compliance with the regulatory regime as a whole. The PML holder must be a trustee or officer of an unincorporated society, a director of a corporate society or a partner where the society is a partnership. In the case of a local authority lottery the PML holder must be someone in a senior management post who holds the relevant delegated authority from the licensing authority.
- 6.4** If a society has three or fewer people in “qualifying positions” they will qualify as a small scale operator and will be exempt from the need to hold a PML. In those circumstances one person from the society who is identified as the senior person responsible for the overall conduct of the lottery (usually the chief executive, a trustee, director or member of the senior management board) must complete the personal declaration (Annex A) of the Operating Licence application form and submit it to the Commission along with a Criminal Records Bureau form.
- 6.5** Any change to the PML holder or the person notified as having responsibility for the lottery under the small scale operator exemption should be notified to the Gambling Commission as soon as practicable. Indeed, a change in the identity of those occupying “qualifying positions” requires a small-scale operator to apply to amend the details of its operating licence and a change of office holder requiring a PML in the case of other lottery licensees requires the new office holder to apply for a personal licence.
- 6.6** Detailed guidance on PMLs and the small scale operator exemption are available on the Commission's website.

## 7 External Lottery Managers

- 7.1** A licensed or registered society or local authority may employ an external lottery manager (ELM) to run all or part of its lottery. An ELM is defined in section 257 of the Act as someone that is a person or a company who makes arrangements for a lottery on behalf of a society or local authority but is not a member, officer or employee of the society or authority.
- 7.2** All ELMs must hold a lottery manager's operating licence issued by the Commission before they can manage a licensed society or local authority lottery or a society lottery registered with a local authority. It is the responsibility of the society or local authority lottery to ensure that before employing anyone to manage all or part of their lottery they hold a valid lottery manager operating licence issued by the Commission. A list of licensed ELMs is available on the Commission's website.

- 7.3** The fact that a society or local authority may employ a licensed ELM to manage all or part of its lottery does not absolve the society or local authority from its responsibility for ensuring that the lottery is conducted in such a way as to ensure that it is lawful and fully complies with all licence conditions and the codes of practice.
- 7.4** ELMs are also required to hold Personal Management Licences for a range of directors and senior managers, including the managing director, chief executive, finance director, compliance, marketing and IT director.
- 7.5** ELMs are also required to hold a remote gambling licence if they intend to sell tickets by means of remote communication.

## **8 External Lottery Managers and service providers**

- 8.1** The Act specifies that a person promotes a lottery if he makes or participates in making the arrangements for a lottery. The Act states that promotion of a lottery includes:
- making arrangements for the printing of tickets;
  - making arrangements for the printing, publication and distribution of promotional material;
  - making arrangements to advertise a lottery;
  - inviting a person to participate in a lottery;
  - selling or supplying tickets; and
  - offering to sell or supply tickets.
- Full details are set out at section 252 of the Act.
- 8.2** A person commits an offence under the Act if they promote a lottery, unless;
- they are an officer, employee or a member of a licensed or registered society or local authority; or
  - they are a licensed ELM directed by a society or local authority to run all or part of its lottery.
- 8.3** A person or company may provide services in connection with a lottery to a society or local authority (for example printing tickets or advertising a lottery) without being held to have promoted a lottery.
- 8.4** Section 252 of the Act provides a comprehensive definition of what amounts to promoting a lottery and section 257 provides a definition of an ELM. If there is doubt whether a person or company is acting in the role of an ELM or that of a service provider the Commission will have regard to the overall management and degree of control of the lottery undertaken by the society and the other party in question. Key indicators will include:
- who decides how the lottery scheme will operate and when changes to the scheme should be made;
  - who controls the promotion, marketing and advertising of the lottery;
  - who sells the tickets;
  - who pays the prizes;
  - who appoints and manages sub contractors;
  - banking arrangements and the process for handling the proceeds of the lottery; and
  - the contractual agreements between the society and the other party.
- 8.5** Where the person or company who makes any of the arrangements for a society or local authority lottery, for example has control of how the lottery is promoted and managed they will be acting as a ELM and they will need to hold the relevant operating licence issued by the Commission if they are to avoid committing an offence under the Act.

## 9 Remote lotteries

- 9.1** Section 4 of the Gambling Act specifies that remote gambling means gambling in which people participate by the use of remote communication including the Internet, telephone, television, radio or any other electronic or technological method of communication. Note that normal letter post is not a form of remote communication for the purposes of the Act.
- 9.2** Society and local authority lotteries who allow players to participate in their lottery by means of remote communication will be required to hold a remote lottery operating licence.
- 9.3** Holders of a remote lottery operating licence will be required to comply with the technical standards and the other specific licence conditions and codes of practice issued by the Commission that relate to remote gambling. Details are available on the Commission's website.
- 9.4** Society lotteries registered with local authorities who allow persons to participate in their lottery by way of remote communication are not required to hold a remote lottery operating licence.

## 10 Gambling Commission licence conditions and codes of practice

- 10.1** All lotteries licensed by the Commission will be required to comply with the specific licence conditions and codes of practice relevant to them. The specific licence conditions will be set out at the time a licence is issued.
- 10.2** Some of the licence conditions and requirements of the codes of practice are referred to in this document under the relevant headings. Specific details are contained in the Commission's 'Licence conditions and codes of practice' which is available on the Commission's website.

## 11 Society and local authority lotteries - proceeds and other monetary limits

- 11.1** A society or local authority lottery must apply a minimum of 20% of the gross proceeds of each lottery directly to the purposes of the society or in the case of a local authority a purpose for which the authority has power to incur expenditure.
- 11.2** Up to a maximum of 80% of the gross proceeds of each lottery may be divided between prizes and the expenses of the lottery.
- 11.3** The maximum value of tickets that can be sold in a single large lottery is £2 million.
- 11.4** The maximum aggregate value of lottery tickets that can be sold in any calendar year is £10 million.
- 11.5** The maximum prize in a single lottery is £25,000 in the case of a small society lottery and £25,000 or 10% of the proceeds (gross ticket sales), whichever is greater, in the case of a large society or local authority lottery. Therefore, a society that sells the maximum number of tickets in a single large lottery (£2 million) could award a maximum top prize of £200,000.
- 11.6** Rollovers are permitted provided the maximum single prize limit is not breached.

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- 11.7** Every ticket in the lottery must be the same price and the cost of purchased tickets must be paid to the society before entry into the draw is allowed.
- 11.8** There is no maximum price of a lottery ticket.
- 11.9** No lottery may operate in such a way that a player can win a prize greater than the statutory prize limit of £200,000.
- 11.10** No lottery may be linked to any other lottery in such a way that a person who wins a prize in one also wins a prize in another, unless the aggregate of those prizes is less than or equal to the statutory prize limit of £200,000.
- 11.11** Where separate lotteries have a feature that allows a player to win a larger prize than the statutory maximum of £200,000 by selecting the same numbers in different lotteries and these lotteries are decided by the same draw, no advertisement or other marketing of the lotteries may refer to this feature.

## **12 Ticket information**

- 12.1** All tickets in a society lottery licensed by the Commission or registered with a local authority must state:
- the name of the society on whose behalf the lottery is being promoted;
  - the price of the ticket;
  - the name and address of the member of the society responsible for the promotion of the lottery (in the case of a small society lottery run under local authority registration the name and address of the ELM if there is one may be given as an alternative).
  - the date of the draw, or the means by which the date may be determined; and
  - the fact, where that is the case, that the society is licensed by the Commission.
- 12.2** Tickets which are issued through a form of remote communication or any other electronic manner must specify this information to the purchaser of the ticket and ensure that the message can be either retained or printed.

## **13 Sale of tickets**

- 13.1** Tickets in society and local authority lotteries promoted under licence from the Commission must not be sold to any person in a street. Tickets may be sold by a person in a kiosk or shop premises (having no space for the accommodation of customers), or from door to door. The Act defines a street as any bridge, road, lane, footway, subway, square, court, alley or passage (including passages through enclosed premises such as shopping malls) whether a thoroughfare or not.
- 13.2** To minimise the risk of fraud societies licensed by the Commission should adopt one or more of the following measures when sending unsolicited mailings of lottery tickets:
- prohibit the unsolicited mailing of lottery tickets to non members of the promoting society;
  - limit the value of tickets sent to any one address which is not that of a member of the promoting society to £20; or
  - maintain records of tickets distributed and not returned; ( the Commission recommends that these records should include details of the address to which the tickets have been sent, their total value and their serial number. Information on unsold tickets not returned by the date of the lottery draw should be retained for at least six months.)

## 14 Financial requirements

- 14.1** For society and local authority lotteries promoted under licence from the Commission, accounting records must be retained for a minimum of three years from the date of any lottery to which they relate and they must be made available for inspection by the Commission on request. These records must contain, in respect of each lottery, details of the total proceeds of each lottery, the expenses of the lottery, and the number of sold and unsold tickets.
- 14.2** Where the cumulative proceeds of lotteries promoted by a society or local authority exceed £1,000,000 in a calendar year, the Commission must be sent a written confirmation from a qualifying auditor that the proceeds of those lotteries have been fully accounted for in annual audited accounts. Such confirmation must be provided within ten months of the end of the period to which the accounts relate.
- 14.3** A qualifying auditor is a person who is eligible for appointment as a company auditor under section 25 of the Companies Act 1989 but is not, in the case of a society:
- a member of the society;
  - a partner, officer or employee of such a member; or
  - a partnership of which a person falling within (a) or (b) is a partner.

## 15 Lottery returns

- 15.1** Every society and local authority licensed by the Commission must submit a return for each lottery which shows the total proceeds and how they have been distributed between prizes and expenses and the amount applied directly to the society's purposes, or purpose for which the local authority has power to incur expenditure, as the case may be.
- 15.2** Every society registered with a local authority to run small society lotteries must submit a statement providing the following information:
- the date on which tickets were available for sale or supply and the date of the draw;
  - the total proceeds of the lottery;
  - the amounts deducted by promoters of the lottery in providing prizes, including rollovers;
  - the amounts deducted by the promoters of the lottery in respect of costs incurred in organising the lottery;
  - the amount applied directly to the purpose for which the promoting society is conducted or for which the local authority has power to incur expenditure (at least 20% of the gross proceeds); and
  - whether any expenses incurred in connection with the lottery were not paid for by deduction from the proceeds, and, if so, the amount of expenses and the sources from which they were paid.
- 15.3** A licensed society or local authority's return must be sent to the Gambling Commission **no later than three months** after the date of the lottery draw or in the case of an 'instant' (scratchcard) lottery within three months of the last date on which tickets in the lottery were on sale. At the time it is submitted each return must be verified by a Personal Management Licence holder, a "qualified person" in the case of a small scale operator or the person named (in the case of societies) named on the lottery tickets as being responsible for the promotion of the lottery.
- 15.4** Returns can be submitted to the Commission on-line using the relevant form or it can be downloaded and submitted through the post.



**15.5** A registered society's statement must be sent to the local authority within the three months beginning on the day on which the draw (or last draw) in the lottery took place. It must be signed by two members of the society appointed in writing for that purpose by the society's governing body and accompanied by a copy of that appointment.

## **16 Social responsibility**

**16.1** Lotteries are a form of gambling and as such societies and local authorities are required to ensure that children and other vulnerable people are not exploited by their lottery.

**16.2** The minimum age for participation in a lottery is 16 years of age. A person commits an offence if they invite or allow a child to enter a lottery other than certain classes of exempt lottery (ie: incidental non-commercial lotteries, private lotteries, work lotteries and residents' lotteries). Societies and local authorities running lotteries must have written policies and procedures in place to help prevent and deal with cases of under-age play.

**16.3** Licence holders must take all reasonable steps to ensure that information about how to gamble responsibly and how to access information and help in respect of problem gambling is readily available.

**16.4** Further information about social responsibility requirements is contained in the Commission's Licence Conditions and Codes of Practice document.

## **17 Exempt Lotteries**

**17.1** Exempt lotteries are all those specified in the Gambling Act 2005 as permitted to be run without a licence from the Gambling Commission. These include small society lotteries which can be run under a registration with a local authority.

**17.2** This section is intended to provide information on whether proposals for a lottery give rise to the need for either a Commission licence or registration with the local authority.

**17.3** Apart from small society lotteries there are three types of exempt lottery: incidental non-commercial lotteries, private lotteries and customer lotteries.

### **Incidental non-commercial lotteries**

**17.4** An incidental non-commercial lottery is one that is incidental to a non-commercial event. Examples may include a lottery held at a school fete or at a social event such as a dinner dance. An event is non-commercial if all the money raised at the event including entrance fees goes entirely to purposes that are not for private gain: therefore a fundraising social event with an entrance fee would be non-commercial if the profits went to a society but would not be non-commercial if the profits were retained by the organiser for private gain.

**17.5** The Gambling Act 2005 specifies that:

- the promoters of the lottery may not deduct more than the amount prescribed by the Secretary of State (or Scottish Minister) from the proceeds in respect of the expenses, such as the cost of printing tickets, hire of equipment etc. This is currently £250; **(this may increase to £500 following DCMS Consultation)**;
- not more than £250 can be spent on prizes; **(this may increase to £500 following DCMS consultation)**;
- the lottery cannot involve a rollover of prizes from one lottery to another; and
- all tickets must be sold at the location during the event, and the result made public while the event takes place.

## Private Lotteries

**17.6** There are three types of private lotteries that qualify as exempt lotteries:

- Private lottery – these can only be promoted by one of its members and tickets can only be sold to other members of that same society and persons on premises used for the administration of the society. The lottery may only be promoted for a purpose for which the society is conducted, and the society can be any group or society, provided it is not established and conducted for purposes connected to gambling e.g. private members clubs.
- Work lottery - the promoter of the lottery must work on the premises and tickets can only be sold to other people who work on the same premises. The lottery must not be run for profit and all the proceeds must be used for prizes or reasonable expenses incurred in organising the lottery e.g. a Grand National sweepstake.
- Residents' lottery – these must not be run for profit and all the proceeds must be used for prizes or reasonable expenses. The promoter of the lottery must reside on the premises and tickets can only be sold to other residents of the same premises. The residency requirement can still be satisfied where the premises are not the sole premises in which a person resides e.g. a student halls of residence.

**17.7** Private lotteries must comply with conditions relating to advertising which state that no advertisement for a private society, work or residents' lottery may be displayed or distributed except at the society or work premises, or the relevant residence, or sent to any other premises.

**17.8** Private lotteries must comply with conditions set out in schedule 11 of the Act relating to tickets. In summary these are:

- A ticket in a private lottery may be sold or supplied only by or on behalf of the promoters
- Tickets (and the rights they represent) are non-transferable.
- Each ticket must state the name and address of the promoter of the lottery, the persons to whom the promoter can sell or supply tickets and the fact that they are not transferable.

**17.9** Private lotteries cannot be conducted on vessels. The Act's definition of a vessel (section 353-1) is:

- anything (other than a seaplane or amphibious vehicle), designed or adapted for navigation or other use in, on or over water;
- a hovercraft; or
- anything, or any part of any place, situated on or in water.

**17.10** The price paid for each ticket in a private lottery must be the same, must be shown on the ticket and must be paid to the promoters of the lottery before any person is given a ticket.

## Customer lotteries

**17.11** A customer lottery is a lottery run by the occupiers of business premises, who sell tickets only to customers present on their premises.

**17.12** The Act requires that in customer lotteries:

- the lottery must be arranged to ensure that no profit is made;
- tickets may be sold or supplied only by or on behalf of the promoter;
- no advertisement may be displayed or distributed except on the business premises nor sent to any other premises;

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- another customer lottery cannot take place within seven days on the same business premises;
- tickets (and the rights they represent) are non transferable;
- no ticket may result in the winner receiving a prize worth more than £50;
- no rollovers of prizes are permitted.

Each ticket in a customer lottery must state;

- the name and address of the promoter of the lottery;
- the persons to whom the promoters can sell or supply tickets;
- that the rights conferred by the sale or supply of a ticket in a customer lottery are not transferable.

## 18 Prize competitions and free prize draws

**18.1** Prize competitions which are not otherwise betting, gaming or lotteries and free draws are exempt from regulatory control under the Gambling Act.

**18.2** The Commission has no regulatory responsibilities in respect of competitions and draws, but it will monitor the boundary between them and lotteries. Where the Commission believes that a competition or draw is in fact an illegal unlicensed lottery it will have the power to investigate and if necessary prosecute.

### Prize "skill" competitions

**18.3** Genuine prize competitions based on skill, judgement or knowledge are exempt from statutory control. The effect of section 14(5) of the Act is that a process is not to be treated as relying wholly on chance if it contains a requirement to exercise skill and judgement or knowledge that is reasonably likely to:

- prevent a significant proportion of people who wish to participate from doing so; or
- prevent a significant proportion of people who do participate from receiving a prize.

**18.4** A competition that requires a payment to enter and does not meet the test set out above is likely to be an illegal lottery and the operators of such competitions be liable to prosecution.

### Free draws

**18.5** In order for an arrangement to be a lottery persons must be required to pay to participate. Accordingly a "free" draw is not a lottery and is exempt from statutory control. Schedule 2 of the Act lays down the rules as to what is to be treated as payment for the purposes of distinguishing free draws from lotteries.

**18.6** The schedule envisages two circumstances.

Firstly, cases where there is only one entry route. Here, 'free' will include any method of communication (post, telephone or other) at a 'normal rate'. 'Normal rate' is defined as "a rate which does not reflect the opportunity to enter a lottery" (paragraph 5 of Schedule 2). There can be no premium over what it would normally cost to use that method of communication.

Secondly, cases where there is a choice of entry route. Here, the arrangement will not be treated as requiring payment if:

- each individual has a choice whether to participate by paying or by sending a communication;
- that communication is either a letter sent by ordinary post or some other method which is neither more expensive nor less convenient than entering by the paid route (there can be no premium over what it would normally cost to use that method of communication);
- the choice must be publicised so that it is likely to come to the attention all potential participants; and
- the system for allocating prizes does not distinguish between using the paid or the free route.

**18.7** Schedule 2 also makes provision for product promotions. These are permitted where the price of the good or service does not include any element which reflects the opportunity to participate in the promotion (paragraph 2(c) of Schedule 2).

**18.8** A document setting out further details of the Commission's position on the issue of prize competitions and free draws is available on its website.

## **19 Chain gift schemes**

**19.1** Section 43 of the Act makes it an offence to invite others to join a chain-gift scheme or to participate knowingly in the promotion or administration of such a scheme. A person found guilty of the offence could be liable to a fine or imprisonment.

**19.2** These schemes have most of the relevant features of pyramid selling schemes, but escape the ban on them because they do not involve the sale of any product. An arrangement is a chain gift scheme if:

- person must pay a "joining fee" to participate; and
- he is encouraged to believe that he will receive the joining fees, or part of the joining fee, of other participants, to an amount in excess of the joining fee he paid.

**19.3** The Commission is aware that the Office of Fair Trading and local authority trading standards officers have considerable relevant experience of dealing with chain gift schemes and are well placed to deal with schemes that arise from time to time. The Commission will keep its role in tackling chain gift schemes under review and will monitor developments so that if more concerted action is required centrally it can liaise with other bodies to determine what action should be taken.

**19.4** The main element of consumer protection against these schemes is publicity to prevent people becoming involved in them. Local authorities may wish to use their websites and other publicity tools to educate consumers against participation in such schemes.

## 20 Lottery scams

- 20.1** Most lottery scams are advanced fee frauds where a person is invited to send a payment to claim a prize in a lottery or raffle that they were not aware they had entered. In most cases there is no lottery.
- 20.2** The advice to anyone who receives such a communication through the post, via e-mail or in any other way is:
- do not respond;
  - never send any payment;
  - do not release your bank account or credit card details;
  - if you are asked to confirm your identity do not release any personal details or you may be at risk from identity fraud; and
  - if you have been a victim of this type of fraud you should contact the police.
- 20.3** The Office of Fair Trading (OFT) is the lead co-ordination body in this field. The OFT has set up a multi-agency scams group as a forum for bringing together experience in dealing with scams of all kinds. The "Scams Enforcement Group" has been formed as part of the OFT's commitment to co-ordinate action against scams including bogus lotteries and deceptive premium rate prize promotions as a priority over the next three years. The Gambling Commission is a member of the Scams Enforcement Group and works closely with other agencies represented on the group to share information, co-operate in investigations and prosecutions and raise public awareness for example through use of its website. Further details of the work of the OFT can be found on its website [www.of.gov.uk](http://www.of.gov.uk).

## 21 Contacts

Gambling Commission  
[www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)

Department for Culture Media and Sport  
[www.culture.gov.uk](http://www.culture.gov.uk)

The Lotteries Council  
[www.lotteriescouncil.org.uk](http://www.lotteriescouncil.org.uk)

Hospice Lotteries Association  
[www.hospicelotteries.org.uk](http://www.hospicelotteries.org.uk)

Gamcare  
[www.gamcare.org.uk](http://www.gamcare.org.uk)

Responsibility in Gambling Trust  
[www.rigt.org.uk](http://www.rigt.org.uk)

Charity Commission for England & Wales  
[www.charity-commission.gov.uk](http://www.charity-commission.gov.uk)

Office of the Scottish Charities Regulator  
[www.oscr.gov.uk](http://www.oscr.gov.uk)

Office of Fair Trading (scams)  
[www.of.gov.uk/consumer/scams](http://www.of.gov.uk/consumer/scams)

## **Gambling Commission – Lotteries and the law**

Trading Standards

[www.tradingstandards.gov.uk](http://www.tradingstandards.gov.uk)

Local Authority Coordinators of Regulatory Services

[www.lacors.gov.uk](http://www.lacors.gov.uk)

Institute of Fundraising

[www.institute-of-fundraising.org.uk](http://www.institute-of-fundraising.org.uk)

Charity Law Association

[www.charitylawassociatio.org.uk](http://www.charitylawassociatio.org.uk)

Committee of Advertising Practice

[www.cap.org.uk](http://www.cap.org.uk)

Independent Committee for the Supervision of Standards of the Telephone Information Services  
(Premium rate services regulator)

[www.icstis.org.uk](http://www.icstis.org.uk)

OFCOM

[www.ofcom.org.uk](http://www.ofcom.org.uk)

## **Gambling Commission May 2007**

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The Gambling Commission regulates gambling in the public interest. It does so by keeping crime out of gambling, by ensuring that gambling is conducted fairly and openly, and by protecting children and vulnerable people from being harmed or exploited by gambling. The Commission also provides independent advice to government on gambling in Britain.

For further information or to register your interest in the Commission please visit our website at:  
[www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)

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