

Bet off: How long-term investment, active engagement and a multi-stakeholder approach played into cutting off online gambling's credit card line

Australians are the world's biggest gamblers, wagering an eye-watering \$25bn to legal forms of gambling each year, according to the Australian Institute of Health and Welfare.¹

For years, the combination of widespread online gambling and easily accessible credit cards has created what consumer advocates called a "recipe for disaster."²

But as of June 2024, new laws have come into force, outlawing the use of credit cards, including those linked to digital wallets, and even digital currencies such as Bitcoin, for online wagering.

Companies in the online gambling industry, which were given six months to prepare for the transition after Parliament passed the law in late 2023, now face substantial fines of up to \$234,750 if they fail to comply with the new regulation. Then Communications Minister Michelle Rowland confirmed that the government delivered on its commitment to implement this blanket ban, which is aimed at protecting vulnerable Australians.

Rowland emphasised the policy's core principle: "Australians should not be gambling with money they do not have."³

The campaign to remove credit cards as a source of gambling cash began in 2016 with a coalition of that included U Ethical (then known as UCA Funds Management) and advocates including the Uniting Church Synod of Victoria and Tasmania's Justice & International Mission (JIM) Cluster, Consumer Action Law Centre (CALC), and Financial Counselling Australia (FCA). The group engaged with the banks directly to persuade them to not allow credit card holders to use this source of funding for online gambling.

This group argued that lending money to people to gamble is fundamentally irresponsible and ethically indefensible, particularly given the known addictive qualities of gambling. Financial counsellors frequently saw clients run up devastating credit card debts—sometimes reaching \$100,000 or more—that constituted a "quick pathway to financial ruin".

¹News.com.au, 2024. 'Nationwide credit card ban on online gambling comes into force'.

²Not for Podcast: Pro Bono Australia. 'Discrediting Online Gambling Transcript'.

³Australian Government. 'Media Release: Credit cards now banned for online wagering'.

U Ethical – as we are now known – has a strict 5% materiality threshold for investing in all forms of gambling, including online gambling. This materiality threshold precludes investing in gambling and gaming companies while allowing us to transparently disclose where there are low exposures to gambling, given that we invest in broad and multinational companies that may have a small amount of revenue from those activities.

But we brought our stewardship capabilities to bear via our investments in the banks, engaging with the banks to ask them to turn off at least once source of money fuelling addictive behaviour.

JIM Senior Social Justice Advocate Mark Zirnsak explained that while some of the groups in the coalition engaged with operators, U Ethical could engage with the banks.

"With every other form of gambling, you couldn't use credit cards, but you had this bizarre loophole for online gambling," Zirnsak said.

"Even if the ban we got was imperfect, the reality is, the more friction there is preventing people from harming themselves, the fewer people will do it. If someone is so caught up they're really determined, you're not going to stop them, but you want to make it as hard as possible to happen."

Engaging with the banks on a company-by-company basis was time consuming and not all banks agreed to introduce safeguards for online gambling. Eventually, the coalition shifted to legislative avenues, culminating in the laws passed in 2023.

While the ban marks significant progress in minimising gambling harm, industry groups have highlighted potential remaining gaps. Responsible Wagering Australia (RWA), which represents major operators, supported the ban but argued that consumer protection measures must be consistent across all forms of gambling. RWA chief executive Kai Cantwell noted that if online lotteries and Keno are not also covered, vulnerable individuals may simply be incentivised to move to these less-regulated types of wagering, where the risk of harm remains high.¹

The government's intervention, which follows recommendations from a parliamentary inquiry, serves as a crucial ethical and regulatory response to an activity that has historically exposed credit card providers to reputational risk and Australians to crippling debt.

Rachel Alembakis
Stewardship Manager

¹News.com.au, 2024. 'Nationwide credit card ban on online gambling comes into force'.

This information is provided by Uniting Ethical Investors Limited (ABN 46 102 469 821) (AFSL 294147), trading as U Ethical. U Ethical can be contacted on 1800 996 888 or by mail and in person at Level 6, 130 Lonsdale Street, Melbourne VIC 3000.

The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any U Ethical product. It does not take into account your personal objectives, financial situation or needs.

Before acting on the information or deciding whether to acquire or hold units in a U Ethical product, you should consider whether the product is appropriate for you given your own objectives, financial situation and needs. You should also consider the disclosure document(s) for the product (such as the product disclosure statement and target market determination). The disclosure documents are available on our website www.ueethical.com or can be provided by calling us on 1800 996 888.

U Ethical may receive fees in respect of investments in U Ethical products. U Ethical directors and employees do not receive commissions from investments in the products and are remunerated on a salaried basis.

U Ethical accepts no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information.

All investments carry risks. There can be no assurance that the U Ethical product will achieve its targeted rate of return. There is no guarantee against loss resulting from an investment in the U Ethical product. Past performance is not indicative of future performance.

Image credits: Unsplash