Anatomy of a gamble

Blog post by Practice Lead Tom King, 5 July 2019

The news that the gambling company William Hill is to close 700 of its UK shops, threatening 4,500 jobs, will be no surprise to those following the saga of fixed-odds betting terminals (FOBTs). The bookmaker has the largest estate of betting shops in Britain, with some 300 more than their nearest rival, Ladbrokes.

The betting shop story is a microcosm of regulatory impact – whether intended or otherwise – on high streets and communities. It took just six months in 1961 for the total number of betting shops to exceed 10,000 after they were legalised in May of that year. This was despite the restrictions on their appearance; in contrast to today's colourful frontages and advertising, the first shops had blacked-out 'dead windows' and no visible attractions to those who fancied a flutter.

But it was the Gambling Act of 2005 that transformed the nature of betting shops for good. That legislation granted the opportunity to put four FOBTs in every betting shop. The machines quickly became the key cash cow for bookmakers, and because of the restriction on numbers, they began to proliferate, particularly in city and town centres. Alongside the betting shops came payday loan shops; thereafter, the industry was on a collision course with local authorities (whose planning policies were regularly insufficiently robust to stave off the influx) and MPs of all parties – but particularly Labour – who saw vulnerable constituents swept onto a sinister carousel of high interest loans and high stakes gambling.

The government's decision to cut the maximum stake level from £100 to just £2 this April had been a long time coming, but it still took the resignation of a government minister, Tracey Crouch, to force the policy's introduction in April rather than October this year. That decision and the vociferous campaign around it has not only driven William Hill's decision to close shops, but the wider industry's thinking: from a high of 9,111 shops in 2012, there has already been an almost 8% decrease before these latest cuts.

For us at Global Counsel, working on political, policy and regulatory change, this case encapsulates the trends that crop up time and again wherever we are working, and in whatever sector you care to mention. Post financial crisis, long-standing trends blend together in an especially explosive cocktail: from the decay of the high street, through mental health and substance addiction, to low-paid workers and easy credit, via local planning policy. And to complicate matters further, the finance ministry had to decide whether to value ethical concerns over cold hard cash – the final decision to cut the stake was calculated as a loss of £365m over the 2019-2021 period, necessitating a compensatory increase in remote gaming duty.

For the big gambling companies, there is a strong incentive to look outside of the UK for growth. Identifying potential markets will involve assessing the mix of regulation, tax policy, and macroeconomic and demographic trends within each jurisdiction. While UK demography and economics still represent an opportunity, the political approach is now different to the laissez faire attitude of previous governments, whether Labour or Conservative-led. Of course, there is always the possibility that a Boris Johnson premiership focused on reversing so-called 'sin taxes' might take on the cross-party coalition of progressives and social conservatives that has forced this issue.

In any case, the people who used to work in these local bookies will have to find other jobs. Whether they succeed depends at least in part on governments present and future, and their efforts to create more sustainable employment. For policy makers, the burden of accurately assessing the damage done to jobs and local economies against the potential benefits for gamblers trying to break free of addiction and poverty will weigh very heavily. After all, no one wants to gamble with people’s lives.