
H Problem gambling and crime

H.1 Introduction

In this appendix, some aspects of the relationship between crime and gambling are reviewed. The sequence of events that leads some problem gamblers to turn to crime to finance their gambling habits or to fund gambling-related debts is examined first. A range of data sources is then analysed to shed light on the prevalence of criminal offences among problem gamblers.

The question of whether there is a causal link between problem gambling and criminal behaviour is then examined, based on considerations such as:

- the reasons why problem gamblers commit crimes; and
- the types of crimes that problem gamblers commit.

Arguments are also considered that serve to qualify causality, such as the fact that not all offences committed by problem gamblers are necessarily gambling related, and that some problem gamblers may well be predisposed to commit criminal offences independently of their gambling behaviour.

Finally, the chapter looks at loan shark lending and problem gambling.

H.2 Why do some problem gamblers turn to crime?

Lesieur (1984, 1996) has outlined the sequence of events that lead some problem gamblers to commit criminal offences. To obtain money for gambling or to pay gambling debts, gamblers initially draw on their savings and then make cash advances on their credit cards, borrow from family and friends, or take out loans with banks or other financial institutions.

As the Wesley Community Legal Service noted:

Typically a gambler will borrow increasing amounts of money to gamble, disguising the purpose for which the money is borrowed by shuffling money from one place to another. For example, a personal loan may be taken out to purchase a car, which is then sold to provide gambling money (sub. 46, p. 7).

Problem gamblers may subsequently borrow from loan sharks, or resort to selling personal or family property to obtain funds for gambling. Faced with mounting financial difficulties and gambling-related debts, when all these legal sources of gambling funds are exhausted, problem gamblers may then resort to illegal activities to obtain money. As the Salvation Army noted:

Once they [problem gamblers] have exhausted their income, whether wages, salaries, pensions or benefits, they then borrow on credit cards, take out loans, steal from family/friends, sell personal and family property, and then move to stealing from others (sub. 35, p. 2).

The stresses and pressures experienced by problem gamblers that lead to crime are described by Blaszczynski and McConaghy (1994a) as follows:

As financial circumstances deteriorate, the ability to abstain from gambling is reduced as the pressures to meet financial commitments mount. Such financial pressures [lead] gamblers to utilise any available means or resources to obtain funds to ... gamble and a chance to win. ... Under these conditions, the propensity to use illegal methods to obtain gambling funds [is] substantially increased (p. 120).

While financial difficulties are the main motive for problem gamblers turning to crime, the gambling behaviour that leads to financial difficulties and crime has been referred to as the 'post behavioural cycle' (Lesieur 1984) or 'gambling-offending cycle' (Marshall, Balfour and Kenner, sub. 116; see also Andrew et al. 1997). At the start of the cycle, the problem gambler frequently experiences a phase of wins, which tends to encourage more frequent play in the expectation of further wins. But greater frequency of play increases the likelihood of losses, and so the gambler enters a phase of financial difficulties. As financial problems mount, the gambler resorts to 'chasing losses', which generally results in the rapid depletion of financial resources and mounting levels of debt. As a consequence, the gambler may commit a criminal offence to obtain money to service the debt and to continue gambling. And once a problem gambler has committed a gambling related offence, they generally continue to do so until they are discovered.

H.3 What proportion of problem gamblers commit offences?

To shed light on what proportion of problem gamblers commit offences to support their gambling, information is drawn from Australian surveys of:

- people seeking help from problem gambling counselling services;
- problem gamblers seeking treatment from hospital/university psychiatric units and Gamblers Anonymous;

- prison inmates; and
- the general population.

Clients seeking help at problem gambling counselling agencies

Information from six studies on the proportion of clients at problem gambling counselling agencies who admit to having committed criminal offences is summarised in table H.1.

Table H.1 Criminal activity among clients of problem gambling counselling agencies

<i>Region</i>	<i>Period</i>	<i>Type of clients assessed</i>	<i>Number of clients assessed</i>	<i>% admitting to criminal offences</i>
Victoria	1996–97	New clients of the 18 Break Even problem gambling counselling services	1 452	30
Victoria	1997-98	New problem gambler clients of the 18 Break Even problem gambling counselling services (presenting for gambling behaviour)	2 209	20
Victoria	Nov97-Nov98	New clients at counselling service for Vietnamese gamblers	30	50
Queensland	May93-Oct98	New clients at Break Even-Gold Coast	443	53
Queensland	1993-94	New clients at 5 Break Even centres	174	29
Queensland	1994-95	New clients at 5 Break Even centres	357	64
Australia	1998-99	Clients of problem gambling counselling agencies, Australia-wide	404	44

Sources: Jackson et al. (1997, 1999b); sub. 86; Boreham et al. (1995); sub. 62; *PC Survey of Clients of Counselling Agencies*.

Case studies for agencies

A study by Jackson et al. (1997) presents information on criminal activity among 1452 new clients who registered with problem gambling counselling agencies in Victoria in the period 1 July 1996 to 30 June 1997, and who were assessed in terms of the ten DSM-IV criteria for ‘pathological’ gambling. One of the criteria is whether a subject had committed illegal acts (for example, forgery, fraud, theft or embezzlement) in order to finance their gambling. The study found that:

- around 30 per cent of clients admitted to having committed illegal acts to finance their gambling (Jackson et al. 1997, p. 27).

For a subset of 856 clients in 1996-97, information was also collected on the primary reason for a client attending a problem gambling counselling agency. It was found that:

- around 5 per cent of clients reported legal issues as the *primary reason* for attending counselling for gambling problems (Jackson et al. 1997, p. 22).

An analysis of new problem gambler clients of the 18 Victorian Break Even agencies in 1997-98 (Jackson et al. 1999b) yielded the following findings:

- around 20 per cent of clients admitted to having ever committed illegal acts which were associated with their gambling; and
- 10.5 per cent of problem gamblers revealed illegal actions to be a current source of funding for their gambling.

The Australian Vietnamese Women's Welfare Association Inc. (sub. 86) reported on characteristics of clients who presented at a problem gambling counselling service for Vietnamese gamblers in the western region of Melbourne. In the twelve month period to November 1998, the service provided assistance to 30 people (18 males and 12 females) with gambling related difficulties. Of these clients who sought help:

- 50 per cent were involved with the courts (they had either been ordered by a Magistrate's Court to undergo counselling or were about to appear in court because of their gambling or gambling-related activities);
- 27 per cent were involved in stealing casino chips, cheating at casino games, stealing or shoplifting; and
- 17 per cent were involved with inappropriate money-lending schemes.

One of the Queensland Break Even centres (Gold Coast) provided information on 443 clients who presented for counselling during the five and a half year period 1 May 1993 to 31 October 1998 (sub. 62). An assessment of these clients in terms of the DSM-IV criteria for 'pathological' gambling revealed that:

- around 53 per cent reported they had committed illegal acts to finance their gambling.

Further information on the prevalence of illegal activities among problem gamblers in Queensland is available for samples of new clients attending the five Break Even Centres in Brisbane, Gold Coast, Rockhampton, Toowoomba and Townsville. A breakdown by gender of the proportion of clients reporting adverse legal effects as a result of gambling revealed that (Boreham et al. 1995):

- in 1993-94, gambling had led to some form of legal problem for 31 per cent of male clients and 22 per cent of female clients; but
- in 1994-95, 68 per cent of male clients and 57 per cent of female clients experienced legal problems as a result of their gambling.

Survey of Clients of Counselling Agencies

Results of illegal activity among clients of problem gambling agencies are available from the Commission's *Survey of Clients of Counselling Agencies* (table H.2). As with the *National Gambling Survey*, all questions about criminal activity were asked specifically in relation to a respondent's gambling.

Overall, 44 per cent of clients reported an involvement in some form of gambling related criminal activity at some stage of their gambling career (apart from fraudulently written cheques). Around 16 per cent had appeared in court on charges related to their gambling, and around 6 per cent had received a prison sentence because of a gambling related criminal offence.

Table H.2 Crime among clients of problem gambling counselling agencies

<i>Gambling related crime</i>	<i>% of clients</i>
Fraudulently written cheques (in the last 12 months)	21.2
Borrowing without permission or obtaining money improperly (ever)	42.3
Gambling has led to problems with the police (ever)	18.3
An appearance in court on criminal charges (ever)	15.8
A prison sentence (ever)	6.4
Any gambling related crime (ever)	50.2
Any gambling related crime except fraudulently written cheques (ever)	44.1

^a The percentages refer to 404 clients.

Source: PC *Survey of Clients of Counselling Agencies*.

Information obtained in the *Survey of Clients of Counselling Agencies* can be used to estimate the characteristics of gamblers that are most likely to be associated with criminal activity. Results from a logistic regression are reported in table H.3, where explanators such as age, gender, and level of gambling debt are considered. These suggest that higher levels of debt present a significant risk factor for crime. For example, the estimated regression suggests that a 35 year old, English-speaking male problem gambler with \$10 000 debt has around a 45 per cent chance of having committed a crime. However, with a debt level of \$50 000, the probability of a crime rises to around 78 per cent.

Table H.3 **Logistic estimate of influences on gambling-related illegal acts**
Australia, clients of problem gambling counselling agencies^a

<i>Variable</i>	<i>Estimate</i>	<i>Chi-square</i>	<i>Chi-square probability</i>	<i>Odds ratio</i>
INTERCEPT	-1.07	1.3	0.25	.
FEMALE (1 if female)	-0.51	3.5	0.06	0.6
JOBLOSE (1 if gambling-related job loss)	2.35	38.6	0.00	10.5
DIVORCE (1 if gambling related divorce)	1.03	12.0	0.00	2.8
ENGLISH (1 if English speaking)	2.62	12.5	0.00	13.7
TRYSUIC (1 if gambling-related suicide attempt)	0.97	6.4	0.01	2.6
DEBT (stock of gambling debt \$)	0.000035	13.2	0.00	1.0
AGE (years)	-0.058	18.5	0.00	0.9

^a Based on 379 observations. The Chi-square test for the joint significance of the parameters is 156.4 with 7 degrees of freedom ($p=0.0001$). Predictions were concordant in 84.7 per cent of cases, and discordant in 15.1 per cent of cases. The odds ratio gives the changed odds associated with a problem gambler 'borrowing without permission or obtaining money improperly' (the definition of an illegal act used here).

Data source: PC Survey of Clients of Counselling Agencies.

Clients receiving treatment and members of Gamblers Anonymous

Detailed information on offences committed by problem gamblers was obtained in a survey of 306 New South Wales problem gamblers (Blaszczynski and McConaghy 1994a, 1994b), comprising 152 hospital treated subjects and 154 members of Gamblers Anonymous. To provide insights into the motivation for crimes, the offences committed were classified as either:

- *gambling* related — those motivated by a specific need to obtain funds for gambling (directly related), or initiated by a need to cover shortfalls in financial commitments caused by gambling losses (indirectly related); or
- *non-gambling* related — those committed for reasons completely unrelated to gambling or problems caused by gambling behaviour.

The study (1994b) revealed that the majority of offences committed by problem gamblers are gambling related. Of the 306 subjects surveyed:

- 59 per cent admitted to committing at least one *gambling* related offence over their gambling careers (and 48 per cent admitted to committing *only* gambling related offences);
- 18 per cent admitted to committing at least one *non-gambling* related offence (and 6 per cent admitted to committing *only* non-gambling related offences);
- 11 per cent admitted to committing *both* types of offences; and
- 35 per cent reported committing no offence at all over their lifetime.

For the two subsets of problem gamblers surveyed — Gamblers Anonymous attenders and hospital treated patients — the proportion of subjects who had committed a gambling related offence during their gambling careers was 66 per cent and 53 per cent respectively.

These criminal offence rates among problem gamblers are similar to those found in overseas studies. For example, rates of 90 per cent have been found in a US study of Gamblers Anonymous attenders (Custer and Custer 1978), 82 per cent in a UK study (Brown 1987) and 54 per cent in a German study (Meyer and Fabian 1990).

Gambling related offences among prison inmates

Findings are presented from two studies of the prevalence of gambling-related offences among inmates at correctional facilities in Queensland and South Australia.

Boreham et al. (1996) surveyed inmates at the Arthur Gorrie Centre — the remand centre for the prison population of Queensland. This facility was selected as the most likely to achieve a representative sample of prison inmates. However, the representativeness of the results is questionable on two grounds: first, a very low response rate was obtained — only 74 of 550 questionnaires distributed to inmates were returned; and second, the survey only sought information on legal problems experienced by inmates arising from poker machine playing. Against this background, of the 74 inmates:

- 11 per cent reported being in trouble with the police because of their poker machine playing, or taking money without permission; and
- 7 per cent reported they had been incarcerated because of the offences committed to obtain money to play poker machines.

The Boreham et al. (1996) study did not seek to screen inmates for problem gambling by means of the SOGS or DSM-IV criteria. But it inferred that a “certain percentage” of inmates in the correctional system are likely to be problem gamblers because of the following findings for the 74 inmates surveyed:

- 27 per cent reported that they gambled daily or a couple of times a week;
- 26 per cent reported spending more than \$40 per session of playing poker machines; and
- 31 per cent reported experiencing personal or financial problems because of their poker machine playing.

Another study of gambling-related crime in a prison setting is by Marshall, Balfour and Kenner (sub.116). Subjects for that study were chosen from Yatala Labour

Prison, South Australia's main reception jail for sentenced prisoners. The study collected data during the period August to December 1997 on 103 inmates from the 176 who were new intakes from the courts and sentenced for an immediate period of imprisonment.

To determine the prevalence of problem gamblers, these new intakes were screened on the basis of the SOGS. Of the 103 subjects surveyed, 26 admitted to committing gambling-related offences (they had 'been in trouble with the law due to gambling'), and 34 obtained a SOGS score of 5 or more. The *joint* characteristics of these groups are of particular interest:

- all 26 subjects who had committed a gambling related offence scored 5 or more on the SOGS (using a SOGS cutoff score of 10 or more missed out on around one-third of those inmates who committed gambling related offences); but
- 8 of the 34 subjects (24 per cent) with a SOGS score of 5 or more had *not* committed a gambling related offence.

The consultant to ACIL was critical of the relevance of any of these studies to the question of a causal link between problem gambling and crime:

The quoted studies on prisoners do not demonstrate causation. They simply look at the prevalence of 'gambling related' crimes among prisoners (sub. D233, p. 97).

But such an assessment ignores the very elements of these studies which can be used to demonstrate causation. For example, the 7 per cent of inmates surveyed in Boreham et al. (1996) who reported they had been incarcerated *because of the offences committed to obtain money to play poker machines* provides strong evidence of causality. Furthermore, such a refutation of any causation whatsoever ignores an important distinction which does involve causality. For example, Marshall, Balfour and Kenner conclude that:

It cannot be assumed that all illegal behaviours committed by pathological [problem] gamblers are directly gambling related in a prison population. There is a need to differentiate between criminals who gamble excessively and the pathological gambler who turns to gambling-related crime (sub. 116, p. 15).

A similar observation is made by Boreham et al. (1996) who note that there is a distinction:

... between those who carry out criminal acts and gamble excessively and those individuals who gamble excessively and commit criminal acts in support of their gambling or to retrieve a disastrous financial situation that has been caused by their gambling (p. 48).

The findings of the Marshall, Balfour and Kenner study shed light on the relative importance of these two groups. Of the 34 inmates with a SOGS score of 5 or more:

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- the three-quarters who committed gambling related crimes are problem gamblers in the sense that gambling appears to be a sufficiently important source of financial difficulties for them to turn to crime; but
 - the remaining one-quarter who committed crimes that were unrelated to their gambling may well be ‘criminals who also happen to be gamblers’.

Findings from general population gambling surveys

Information on the extent of gambling related illegal activity among problem gamblers has been obtained in several Australian general population gambling surveys — a 1991 four capital city survey (Dickerson et al. 1996), statewide surveys for NSW (Dickerson et al. 1996a, 1998), and the Commission’s *National Gambling Survey* undertaken for the inquiry.

Australian multi-city or statewide gambling surveys

In 1991, a doorknock survey of gambling behaviour among 2744 participants in Sydney, Melbourne, Adelaide and Brisbane was undertaken (Dickerson et al. 1996). The 22 respondents who scored 10 or more on the SOGS (and on that basis were identified as problem gamblers) reported the following illegal activity:

- 32 per cent had experienced problems with the police because of their gambling;
- 18 per cent had appeared in court on charges related to gambling; and
- 27 per cent had been in prison because of gambling related crime.

Two large-scale gambling studies carried out for New South Wales (Dickerson et al. 1996a, 1998) also examine the prevalence of gambling-related illegal activity. Across the two surveys, the 14 respondents who scored 10 or more on the SOGS reported the following illegal activity:

- 43 per cent had experienced problems with the police because of their gambling;
- 71 per cent had appeared in court on charges related to gambling; and
- 29 per cent had been in prison because of crime related to gambling.

National Gambling Survey

The Commission’s *National Gambling Survey* sought information on the prevalence of gambling-related illegal activity. The questions posed in the survey in relation to crime were:

- “Has your gambling ever led you to obtain money illegally, even if you intended to pay it back?”
- “Have you ever been in trouble with the police because of activities related to your gambling?”
- “Have you ever appeared in court on charges related to your gambling?”

As well as these questions being framed in ‘lifetime’ (ever) terms, they were also asked in relation to experience ‘in the last 12 months’. The results classified in terms of two categories of problem gamblers — those with a SOGS score of 5 or more (5+) and 10 or more (10+) — are presented in table H.4.

Table H.4 Legal system impacts of problem gambling
per cent of problem gamblers in specified SOGS categories

	<i>Ever</i> SOGS 5+	<i>Ever</i> SOGS 10+	<i>Last 12</i> <i>months</i> SOGS 5+	<i>Last 12</i> <i>months</i> SOGS 10+
<i>Gambling related crime</i>				
Any gambling related illegal activity	10.5	26.5	3.3	11.3
Obtained money illegally	7.0	13.2	1.2	3.7
Been in trouble with the police	4.1	13.8	2.2	7.6
In court on gambling related charges	3.1	13.4	0.2	1.4

Source: PC National Gambling Survey.

Around one in four problem gamblers in the ‘severe’ category (SOGS 10+) reported having committed some form of gambling-related illegal activity at some stage of their gambling careers, and around 11 per cent during the past 12 months. Prevalence rates of illegal activity were somewhat less among problem gamblers more generally, with around 11 per cent of those with a SOGS score of 5+ having ever committed a gambling-related criminal offence, and 3 per cent in the last 12 months.

However, it should be noted that of the 23 respondents to the *National Gambling Survey* who admitted to having *ever* committed an illegal activity because of their gambling, 9 scored less than five on the SOGS. Four of these indicated that they used to have a gambling problem in the past but not now, while the other five denied ever having a problem. There is a very high likelihood that the latter respondents are false negatives — because if someone commits a crime to finance their gambling habits then this is normally symptomatic of a significant gambling problem. On that assumption, the prevalence rate of crime among problem gamblers in the severe category would be rather higher than that indicated by the raw data in the *National Gambling Survey*.

The ACIL consultant was critical of this procedure:

The mindset shown ... where the authors argue that the 9 people who admitted to having committed an illegal activity and scored negative on the SOGS are likely to be false negatives is disturbing. Presumably the logic is that if you commit a crime then you must be a problem gambler (sub. D233, p. 98).

But such a statement reflects a misunderstanding about the nature of the questions that were asked in the *National Gambling Survey*. As indicated above, all questions about criminal activity were specifically asked of respondents *in relation to their gambling*. If a person reported that their gambling had led them either to obtain money illegally, or to get into trouble with the police, or to appear in court on gambling related charges, then it would seem reasonable to conclude that in the absence of their gambling problems they would not have committed these acts. If they had committed a crime for a reason not related to their gambling, they would have answered *no* to these questions.

Overall summary of findings on extent of crime by problem gamblers

Marshall, Balfour and Kenner summarised the relationship between problem gambling and criminal behaviour as follows:

Pathological [problem] gambling is a significant risk factor in offending. Depending on the population assessed and the methodology used, the percentage of pathological gamblers that offend to support their gambling ranges from 30 to 50 per cent (sub. 116, p. 2).

The findings on the proportion of problem gamblers committing criminal offences estimated in the various studies summarised above, and brought together in table H.5, is largely consistent with this conclusion in relation to the lower bound but suggests that for some categories of problem gamblers it can be as high as 60 or 70 per cent.

Because the estimates of the proportion of problem gamblers who engage in criminal activities relate to different populations, a difficulty arises in making inferences about the broader population of problem gamblers who either don't seek help from counselling agencies, or don't receive treatment in hospital-based programs, or who don't end up in prison.

For example, as Volberg et al. (1998) have commented, a limitation of relying on surveys of members of Gamblers Anonymous or of people seeking treatment to

elicit information on vocational, financial or criminal impacts of their gambling is that:

members of Gamblers Anonymous and individuals seeking treatment are not representative of problem gamblers in the general population. Hence, it is difficult to say how accurate these figures are for problem gamblers in the community (p. 351).

Table H.5 Summary of proportion of problem gamblers committing offences

<i>Category of problem gambler</i>	<i>Number of clients/subjects studied</i>	<i>% committing gambling related offences</i>
Seeking help at problem gambling counselling agencies	30–1452	30–64
Hospital treated patients	152	53
Gamblers Anonymous members	154	66
Prison inmates identified with SOGS score of 5 or more	34	76
Identified in <i>National Gambling Survey</i>	140	11–27

Sources: Refer tables H.1, H.2 and H.4.

Results from the *National Gambling Survey* can shed light on the representativeness of problem gamblers who seek help compared to the general population of problem gamblers. Of the problem gamblers (scoring 5 or more on the SOGS) who reported that they had tried to get help for their gambling problems in the last 12 months, around 38 per cent reported being involved in gambling-related criminal activity during their gambling careers. This compares with an involvement in gambling-related crime among 6 per cent of problem gamblers who had not tried to get help in the last 12 months. But treating as false negatives those who committed a criminal activity and who recorded less than 5 on the SOGS, then around 10 per cent of problem gamblers who had not sought help had committed a criminal offence at some stage of their gambling careers. Hence, while the help-seeking group contains a higher prevalence of illegal activity, there is still an appreciable rate of crime among the non-help seeking group.

H.4 Is there a causal link between problem gambling and crime?

The material presented in sections H.2 and H.3 can be reviewed to assess the relationship between problem gambling and crime from the viewpoint of two competing explanations:

- that problem gambling leads people to commit crimes because of gambling-related financial difficulties; or alternatively

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- that crime and problem gambling are associated because some criminals just happen to be gamblers.

Arguments suggesting a causal relationship

Previous empirical research has looked at the question of whether there is a causal link between problem gambling and crime. Perhaps the key argument suggesting a causal link relates to the motivation for the crimes committed:

- the main reason why some problem gamblers turn to crime is because of the *need to obtain funds for gambling* rather than the desire for personal economic gain (Lesieur 1984, Blaszczyński and McConaghy 1994a).

As noted above, in examining causality the Blaszczyński and McConaghy studies of NSW problem gamblers receiving treatment or attending GA (1994a, 1994b) have been careful to distinguish between gambling related and non-gambling related crimes. They found that the majority of crimes committed by problem gamblers were gambling related — in the sense that they were motivated by a need to obtain funds for gambling or to pay gambling debts.

The consultant to ACIL was critical of any suggestion of causation on the basis of these or similar studies:

The main data ... relates to criminal activity given that the subject has presented for counselling. Phrases like ‘illegal acts to finance their gambling’ are used. However, this does not demonstrate causation. They may be using the money to finance other aspects of their life as well. Since, they are attending counselling, they may be more likely to say that crime follows gambling (sub. D233, p. 97).

But the empirical studies suggest that causation is not a simple yes or no because problem gamblers themselves can distinguish between crimes they committed that were either for reasons that were related to their gambling or completely unrelated. If a problem gambler admits that they committed a crime *because of their gambling*, in the Commission’s view this suggests a stronger link between that criminal activity and their gambling behaviour than just mere association.

The Blaszczyński and McConaghy (1994a) survey of 306 NSW problem gamblers also investigated causality by examining links between the onset of problem gambling, the development of financial difficulties and resort to crime. They found that:

- subjects who *had* committed offences had gambled for an appreciably longer period of time than those who had *not* committed an offence (three to five years longer).

This finding is consistent with the argument that a longer period of problematic gambling gives rise to greater financial difficulties. They also found that:

- there was a much longer period of time between when a subject commenced gambling and committed their first *gambling related* offence than was the case for a *non-gambling* related offence (nine years compared to three).

This finding is consistent with the argument that gambling related crimes are linked to financial difficulties. By contrast, non-gambling related offences tended to be committed before any gambling induced financial problems were experienced.

A second argument suggesting a causal link is that the pattern of crimes committed by problem gamblers differs markedly from that found for the general population:

- the crimes committed by problem gamblers are mainly *non-violent offences against property* (such as fraud, forgery, embezzlement, thefts by deception) rather than violent property or non-property crimes.

The consultant to ACIL failed to see any causal link with this explanation:

It is difficult to see how the different spectrum of crimes among non-gamblers demonstrates causation. It may just say that people who tend to do a certain type of crime also like to gamble (sub. D233, p. 98).

But such a comment ignores the key motive which leads problem gamblers to resort to these particular types of crimes — mounting financial difficulties and gambling-related debts (section H.2).

Further details on the types of crimes committed by problem gamblers are provided in the following section (H.5). But there are also arguments that serve to qualify the assumption of a causal link between problem gambling and crime.

Qualifications to a causal link

As noted above, not all offences committed by problem gamblers are gambling related. For example, 6 per cent of problem gamblers in the Blaszczyński and McConaghy (1994b) survey had committed *only* non-gambling related offences, and 11 per cent had committed *both* gambling related and non-gambling related offences. These findings suggest that perhaps 6–11 per cent of the subjects in their survey may well warrant being described as “criminals who also happen to be gamblers”.

A related qualification is that some problem gamblers may well be predisposed to commit criminal offences independently of their gambling behaviour. To test this possibility, Blaszczyński, McConaghy and Frankova (1989) classified a sample of

109 NSW problem gamblers into four groups among — those committing ‘no offences’, ‘gambling related offences only’, ‘non-gambling related offences only’, and ‘both gambling and non-gambling related offences’. Each group of subjects was screened to determine the prevalence of the (DSM-III) diagnosis of Antisocial Personality.

They found that the proportion of subjects meeting the criteria differed little between the ‘no offences’ group and the ‘gambling related offences only’ group (5-11 per cent). However, among the two groups committing non-gambling related crimes, the proportions meeting the criteria were appreciably higher (20 to 47 per cent). Blaszczynski, McConaghy and Frankova (1989) conclude that:

[Problem] gamblers who engage in both gambling and non-gambling related offences come predominantly from lower socioeconomic classes and also exhibit more sociopathic features ... compared to gamblers who committed gambling only related offences. ... The need to differentiate the criminal who gambles from the sociopathic gambler who is also a [problem] gambler is more pertinent for this group (p. 150).

However, in the larger Blaszczynski and McConaghy (1994b) study of 306 problem gamblers, the results were not quite so robust. But consistent with the above view, significantly smaller proportions of subjects were found with antisocial personality disorders among the ‘no offence’ group compared to the ‘gambling plus non-gambling related offences’ group, and among the ‘gambling related offences only’ group compared to the ‘gambling plus non-gambling related offences’ group.

Overall assessment of causal link between problem gambling and crime

In the Commission’s view, the question of whether there is a causal relationship between problem gambling and crime is not a simple yes or no, but the findings reported above strongly suggest that most crimes committed by problem gamblers are gambling related — that is, motivated by a specific need to obtain funds for gambling or initiated by a need to cover shortfalls in financial commitments caused by gambling losses. Two key findings are that:

- while not all crimes committed by problem gamblers are gambling related, the overwhelming majority are; and
- in a minority of cases, crime and problem gambling are associated because some criminals happen to be gamblers.

H.5 What crimes do problem gamblers commit?

A wide range of illegal activities are committed by problem gamblers, and examples were provided in a number of submissions.

Anecdotal evidence of gambling related crime

Illegal activity can take place within the family of the gambler. For example, the Wesley Community Legal Service (sub. 46) described cases where a problem gambler had stolen the property of family members which was then sold or pawned to raise money for gambling, or forged the signature of family members to borrow money.

Break Even–Gold Coast commented that:

Group members reported committing crimes as a result of gambling, ... [including] stealing cash from workplaces, fraud and uttering. A common form of fraud was the writing of cheques to secure goods and then returning the goods for cash refund, thus accessing cash for gambling (sub. 73, pp. 3-4).

The Society of St Vincent de Paul (NSW) commented that more than 20 per cent of its clients have reported legal problems as a result of their gambling. The crimes committed included the following (sub. D218, p. 1):

- taking funds from family and employers using debit and credit cards;
- stealing items from family, friends and employers and then ‘hocking’ or selling them on;
- stealing funds from family, friends and employers in other ways — such as from purses, wallets, social or punters clubs, petty cash theft or fraud using saving and cheque accounts; and
- fraud of government agencies (such as Centrelink).

The Blaszczyński and McConaghy (1994a) survey of problem gamblers reported some of the offences committed as follows:

At the petty end of the spectrum, gamblers forged their spouses signature on cheques or in opening new joint accounts, stole from petty cash, engaged in shoplifting to subsequently sell the goods ... and stole from fellow employees at work (p. 124).

But the illegal activity can also extend to offences such as larceny, embezzlement and misappropriation, and more violent crimes such as armed robbery and burglary. Blaszczyński and McConaghy (1994a) also reported that:

More serious offences included repeated theft of vehicle spare parts for illicit sale, distribution and sale of marijuana, and the embezzlement of significant amounts on a regular basis from large corporations or banks (p. 124).

Among the gambling related crimes reported by Jelena Popovic, Deputy Chief Magistrate in Victoria, were large frauds and thefts by people with gambling problems:

The majority of anecdotes of my colleagues around the State involve defendants who have previously been of good character (offence free), with long standing employment histories who steal large amounts of money from their employers. ... In some cases, long standing social security frauds have been attributed to gambling (1998, pp. 3-4).

Survey evidence on types of offences committed

The Blaszczyński and McConaghy (1994a) survey provides detailed information on the types of gambling related offences committed among the sample of 306 NSW problem gamblers (table H.6).

Table H.6 **Gambling related offences, sample of 306 NSW problem gamblers**

<i>Offence</i>	<i>Number committing an offence ^a</i>	<i>Range in number of offences committed</i>	<i>Total number of offences committed</i>	<i>Median number of offences committed</i>
Larceny	96	1-1000	5 388	13.5
Embezzlement	66	1-600	3 045	5.0
Misappropriation	20	1-500	1 698	11.5
Break and enter	16	1-250	760	6.0
Shop-lifting	13	1-200	592	10.0
Armed robbery	8	1-17	42	3.5
Drug dealing	5	15-200	315	30.0
Other	5	1-10	19	1.0

^a Of the 306 problem gamblers surveyed, 180 admitted to committing criminal offences. However, the sum of the number of gamblers committing individual offences is greater than this number because some gamblers committed more than one type of offence.

Source: Blaszczyński and McConaghy 1994a, table 2.

The most common offences involved the direct theft of money, either through acts of:

- larceny (committed by 31 per cent of problem gamblers surveyed);
- embezzlement (committed by 22 per cent); or
- misappropriation (committed by 7 per cent).

Other more violent crimes such as break and enter, and armed robbery were committed much less frequently (by 5 per cent and 3 per cent of problem gamblers respectively).

Two further features of table H.6 are that some problem gamblers committed more than one type of offence, and some committed a particular type of offence on many occasions. Indeed, some of the problem gamblers surveyed were responsible for up to 1000 acts of larceny, 600 acts of embezzlement, 250 acts of break and enter and 17 acts of armed robbery. It is clear then that a small number of individuals were responsible for committing the vast majority of crimes. When the median number of crimes by types are averaged, it suggests that each problem gambler surveyed who had committed gambling related offences carried out around 10 such offences.

The sample of problem gamblers revealed very substantial variation in the amount of money involved in the crimes committed, ranging from as little as a couple of dollars up to \$250 000. Some indicative statistics are:

- for one third of the problem gamblers surveyed, the average value per offence was \$100 or less, and for two-thirds it was \$1000 or less;
- the approximate average value per offence (as given by the median) was \$300; but
- a small minority of less than 10 per cent of subjects committed offences involving substantial amounts of money.

H.6 How reliable are police/court statistics on gambling related crime?

Not all of the offences that are committed by problem gamblers lead to arrest or prosecution because: some of the offences are not serious enough to be detected; not all crimes that are committed are reported to the police; not everyone who commits an offence gets caught; and only some of the offences end up in the courts.

Are all gambling related offences reported to police?

At the Commission's Roundtable on crime and gambling, one of the participants commented that less substantial crimes are unlikely to be reported:

Police only see large scale embezzlement. When its minor, its resolved in the firm or in the family.

Another participant at the Roundtable mentioned that under-reporting of crime is likely to be more common among ethnic communities:

Cultural beliefs prevent ethnic groups reporting crime. Asians have a different view of the police to some other groups in the community.

Furthermore, much of the crime that is committed by problem gamblers against family members is never reported (box H.1).

Box H.1 Participants' views on under-reporting of crimes

Family members, friends and employers are the most frequent victims. These people are reluctant to report the criminal activity, and will often 'bail out' the problem gambler by advancing funds to pay creditors where criminal charges are threatened (Wesley Community Legal Service, sub. 46, p. 13).

We believe that the incidence of gambling related crime is under reported: very few families will lay charges against another member of their family and many employers are also reluctant to press charges (Relationships Australia (South Australia), sub. 118, p. 12).

Crimes committed against family and friends included stealing and pawning goods and selling family assets without consent. [But because] ... family members rarely choose to prosecute, many of the crimes and their impact on the family and the economy go unnoticed (Break Even–Gold Coast, sub. 73, pp. 3-4).

In the counselling work we undertake we are seeing clear evidence of white-collar crime, both large and small, being used to finance gambling activities. A large proportion of this theft occurs from family members and significant others. It is not reported, but it is crime nonetheless (Adelaide Central Mission, sub. 108, p. 19).

Hence, crime report rates understate by a substantial margin the number of offences that are actually committed.

Are motives for offences always revealed to courts?

Only limited information was provided to the inquiry on the extent to which police/court statistics reveal any changes in gambling related crime over time, and particularly whether there is any relationship with the increased availability of gambling opportunities.

The Australian Hotels and Hospitality Association was sceptical of any such relationship:

... newspaper reports have highlighted an increase in reporting of gambling habits as a motive for crime in the magistrate's court. However, there are no studies showing an increase in overall criminal activity since the introduction of gaming machines (sub. 154, p. 34).

But as noted above, police statistics understate gambling related crime rates because many offences go unreported, and many crimes that are committed for gambling related reasons are not recorded as such.

Jelena Popovic, Deputy Chief Magistrate in Victoria, has summarised recent experience in that State as follows:

My premise after very much thought and discussion with my colleagues around the State is that there has not been a crime wave in the Magistrate's Court brought about by the liberalisation of the gambling laws. The increase in crime directly attributable to gambling has been marginal. ... The view from the Bench is that gambling is a major problem in the community but is largely hidden from the Courts (1998, pp. 1, 9).

There appear to be offsetting influences at work which confound the extent to which crimes that come before the courts are identified as gambling related. On the one hand, it is held that there is an increasing tendency for some offenders to claim the defence of 'gambling addiction' as a mitigating factor in the hope of securing a more lenient sentence. The Australian Institute of Criminality stated that:

There may well be persons who, having committed a criminal act but not suffering any disability, may invoke problem gambling as an excuse. Whilst some criminal activity no doubt does arise from problem gambling, it may be unwise to accept defences without some form of verification (sub. 21, p. 1).

On the same theme, ACIL commented that:

We have been told that already in Melbourne accused thieves have been offering problem gambling (or as it is termed locally, the 'Crown defence') as an excuse for their actions, although to date the courts have not accepted such claims as a reason for leniency (sub. 155, p. 113).

Wesley Community Legal Service reported that the official position in NSW Courts is that problem gamblers will not be afforded any special leniency — pathological gambling is not a 'special circumstance' which will allow the Courts to impose a 'non-custodial' sentence or reduce the minimum term (sub. D215, p. 5). However, Wesley Community Legal Service also reported that there appears to be more flexibility in the Local Court for non-custodial sentenced to be imposed.

But on the other hand, there are also some offenders who suffer from a gambling problem who apparently do not disclose this to the courts as a reason for the offence. As Popovic noted, a number of magistrates in Victorian districts from whom she canvassed opinions believed that:

... gambling was a large social problem in their area, but ... defendants were ashamed to disclose their gambling to the court, or ... somehow the fact of their gambling remained undisclosed to the court (1998, p. 2).

H.7 What happens to problem gamblers who are convicted?

The Blaszczyński and McConaghy (1994a) study also sheds light on what proportion of gambling related crimes actually result in charges being laid. Of the 306 NSW problem gamblers surveyed:

- 24 per cent had been charged with committing a gambling related offence.

This represents around 40 per cent of subjects who admitted to committing a gambling related offence.

Only around one quarter of those committing larceny were charged, and slightly less than half of those committing embezzlement or misappropriation (table H.7, column 3). But typically, the more serious types of offences — such as armed robbery, break and enter, and drug dealing — were associated with a greater likelihood of arrest.

Table H.7 Convictions and type of sentences, sample of 306 NSW problem gamblers

<i>Offence</i>	<i>Number charged with an offence^a</i>	<i>Number charged as a % of number committing an offence</i>	<i>Range in number of counts</i>	<i>Number jailed</i>	<i>Number receiving bond</i>	<i>Number receiving fine</i>
Larceny	24	25	1–53	3	12	0
Embezzlement	29	44	1–40	9	15	4
Misappropriation	9	45	1–33	2	4	2
Break and enter	15	94	1–46	7	6	2
Shop-lifting	3	23	1–10	0	3	0
Armed robbery	7	88	1–7	7	0	0
Drug dealing	3	60	1–3	3	0	0
Other	3	60	1–3	0	2	0

^a Of the 306 problem gamblers surveyed, 73 had been charged with an offence. However, the sum of the number of gamblers charged with individual offences is greater than this number because some gamblers were charged with more than one type of offence.

Source: Blaszczyński and McConaghy 1994a, table 6.

For crimes like larceny and embezzlement, the most common sentence imposed was a good behaviour bond. However, all convictions for armed robbery and drug-related offences, and around half the convictions for break and enters, resulted in jail sentences.

Overall, the mean prison term actually served by those receiving jail sentences was 2.6 years — or 1.4 years if two subjects who served especially long sentences are excluded.

H.8 Problem gambling and loan shark lending

Problem gamblers may resort to borrowing money from ‘loan sharks’ (or ‘fringe’ credit providers) when possibilities for borrowing from mainstream avenues such as banks, credit unions, and financial institutions are exhausted. Dealing with loan sharks signals desperation on the part of the borrower because such loans not only entail exorbitant interest rates but also a menacing context in the event of non-repayment. Legal Aid Queensland (sub. D282) reported on loan sharking in South East Queensland, involving a network of credit providers who typically lend amounts of between \$1000 and \$2000 to borrowers at interest rates of 150-200 per cent per annum.

Box H.2 Some loan sharking experiences

Fred is a 26 year old ... club staff member ... [who] only started gambling about two years ago and has developed a very serious problem in the last 12 months. After gambling all of his savings away at the casino, Fred was introduced to some loan sharks who operate there. His financial problem was very severe given his limited income and there is significant pressure building over his failure to make the payments on some personal loans he got at the casino. Fred's debts exceed \$40 000 and he is very depressed. He has attempted suicide recently. The main pressure on Fred is coming from a man who provided money at the casino. ... Another of Fred's personal loans was arranged by a loan shark who charged a fee of \$2 000 in order to arrange a loan of \$10 000 (*BetSafeNews*, April 1999, p. 3).

... some [clients] have been approached by people at the gaming venue to lend them money. ... One of them was ... [for] a loan of \$9 000 and she had to pay \$300 interest a month. There's a lot of issues involving that sort of thing because sometimes its a private individual lender and threats of violence may be used ... towards the gambler (Australian Vietnamese Women's Welfare Association, transcript, p. 563).

There's some pretty awful loan sharking going on down on the Gold Coast. The people are too frightened to even tell you about it, who they are or terribly much about it ... because of the types of threats that have been made to people who don't pay up (Relationships Australia Queensland, Transcript, p. 129).

Group members as gamblers were not only perpetrators of crime, but also witnesses and victims. One group member reported witnessing theft at a gambling venue. Another had been extended credit by a loan shark and received threats when he was unable to meet repayments (Break Even–Gold Coast, sub. 73, p. 4).

Gambling venues like casinos provide problem gamblers with access to loan sharking — people spot at casinos and approach gamblers to take out loans (box H.2). The Australian Vietnamese Women's Welfare Association reported on the experience of some of its clients:

They [the loan sharks] move around the casino and when they see that someone has lost ... money, they say, “Come on, I’ll give you some money. You’ll win everything back”. [And] the person is so keen to get back the money that [they] agree to any terms (transcript, p. 564).

Participants at the Commission’s Roundtable on crime and gambling gave a variety of views on how commonplace loan sharking had become:

In Victoria it’s prolific, people spot in gambling venues and put gamblers in touch with financial institutions.

Loan sharking is a problem in small communities and is becoming more sophisticated. It is difficult to tell when loan sharking begins and a personal loan ends.

Loan sharking evidence is only anecdotal. If it is increasing this may reflect a lack of alternative investment arrangements.

But Star City Casino noted that:

Loan sharking of the overtly threatening kind is virtually impossible at Star City as it would be picked up very quickly by staff, surveillance and/or the Casino Surveillance Division inspectors. Lending activity among patrons does take place. This practice is not illegal and occurs all over NSW. We discourage the practice where it appears to be taking the form of a regular business transaction ... (sub. 33, p. 23).

Wesley Community Legal Service thought this was a surprising admission on the part of Star City:

Firstly, it is hard to imagine that lending between Star City patrons occurs as some sort of benevolent gesture between gamblers. Not many gamblers would be generous or foolish enough to lend money to another gambler. Secondly, if it is a loan for interest or some other return, then it is regulated by the Consumer Credit Code, and requires compliance with the legislation. Thirdly, it is hard to see why Star City would wish to discourage lending activities when they contribute to its overall revenue (sub. D215, p. 2).

The issue of loan shark lending in South East Queensland has been the subject of a recent Report by the Office of Fair Trading (OFT, 1999). The OFT collected information from community groups such as financial counselling organisations and community legal centres, and from consumers via a state-wide Phone-In (conducted between 12 and 16 April 1999). While the OFT study did not specifically ask borrowers whether the reason for having to borrow from a loan shark was related to a gambling problem, the information obtained on loan shark lending characteristics in general is of interest.

Typically, loan shark credit contracts had the following common features: extremely high interest rates — weekly (3 or 4 per cent) or monthly (20 per cent); loan amounts were small — the majority were for between \$1000 and \$2000; weekly

repayments were required — but most were ‘interest only’ repayments and the terms of the loans were open-ended; late payment fees applied — commonly \$5 per day; and loans were described as being for ‘business or investment purposes’ to circumvent the Consumer Credit Code.

Wesley Community Legal Service noted that loan sharking is illegal in that it is in breach of the consumer protection provisions of the Consumer Credit Code — for example, section 22 of the Code provides a maximum fine of \$11 000 for imposing a monetary liability on a loan that is inconsistent with the Code (sub. D215, p. 2).

Among the enforcement practices adopted by loan sharks in cases where a borrower could not meet a weekly repayment included: death threats; other threats to physical safety; intimidatory language; refusal to recognise bankruptcy; and personal collection of payments by the loan sharks or their agents.

Legal Aid Queensland itself reported anecdotal evidence of links between problem gamblers and loan shark borrowing:

This Office has advised in excess of 70 people who have borrowed small amounts of money from loan sharks for personal use. A significant number of the people we have assisted have, in the course of handling their debt problem with the loan shark, disclosed that they have gambling problems. They told us that they have turned to the loan sharks for money either to gamble immediately, or for cash to pay for living expenses, their income having been previously lost in gambling (sub. D282, p. 2).

Some of the consequences of loan shark lending for the gambler and the community include:

- intimidation and physical threats to ensure repayment of loans;
- a problem gambler’s personal debt problem is likely to be magnified rather than relieved;
- gamblers may resort to crime rather than suffer the consequences of not being able to meet repayment conditions; and
- there can be violence and criminal activity associated with loan sharking.

As an illustration of the last point, a recent RAND Institute report (Bennert 1999) on hardware thefts in the US technology industry highlighted a link between gambling and thefts from high-tech businesses involving loan sharks. A typical crime in Silicon Valley involves someone who works for a high tech-firm and has some gambling losses. A loan shark then pressures the worker to provide inside information that is used to perpetrate a theft.