

**Break Even
Gambling Services**



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15th October 1999

Productivity Commission,
P.O. Box 50,
BELCONNEN. ACT 2616

Dear Sirs,

Thank you for the opportunity to provide further information to the Commission.

I wish you well with your deliberations and trust that all parties can learn from your findings.

It is extremely important that we learn to respect each other's position debating the issues vigorously while acknowledging that the opinions of legislator, industry, researcher and counsellor will inevitably differ from time to time.

Yours sincerely,


VIN GLENN
Gambling/Financial Counsellor

SUMMARY OF

PRODUCTIVITY COMMISSION

EVIDENCE VERBALLY SUBMITTED

ADELAIDE 13th SEPTEMBER 1999

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VIN GLENN
Financial/Gambling Counsellor

Our overall position is clear and unchanged from our previous submission – we believe in a clear policy of harm minimisation for those who inevitably will develop serious problems as a result of their gambling whilst permitting the majority to enjoy the Casino, machines, horse-racing, Keno, Lotto and other forms of gambling of their choice.

I admit that we can become emotional about the issues – this can be a benefit and not a cost.

We pledge to work closely with all parties – Government, Industry, Researchers, Counsellors, Gamblers and their families – is there really any alternative?

I wish that the odds were more even when I read expensive industry reports and envy the resources they can afford to have at their disposal. The statistics that we have recorded at the direction of our Government Department for the last four years are poorly defined and of little relevance to the costs and benefits debate.

As I prepared material for this submission I was interrupted by a distraught couple calling without appointment having just learned of their daughter's suicide as the result of an addiction to gaming machines - a lone parent aged 26 years with two young children and living interstate. We sat and talked for about three hours over much coffee and arranged emergency help – plane bookings and professional support for the children and other family members. We arranged for a friend to look after their house, garden and animals, an Undertaker, grief counsellor and an overseas call was made to advise the ex-husband.

It is my job and I accept the challenge but what were the costs? How do you estimate the costs to the parents, the children, the extended family, ex-partner, friends, creditors, counsellors and our Agency staff? What ongoing help is required and at what cost? How long will it be required?

I returned to the report but within an hour I was required to accept an urgent Mobile telephone call from a male gambler well-known to me who was sitting in a motor vehicle with engine running and hose attached. He wanted to live but was so distraught and disoriented that he could not switch off the engine.

A very stressful situation. Where was he? How quickly can the Police and Ambulance locate him? How has my training taught me to react? I felt drained and helpless. There is a happy ending and he is recovering well with professional support but the preparation of information for the inquiry seemed unimportant for the rest of the day – if only we had more resources.

As I proceeded with the report on one of my unpaid working days a client sought advice having been arrested for a \$80,000 fraud, a Father had found his car had been pawned by a son and the payment time had lapsed, a 76 years old female called in tears having lost her pension money and savings gambling and the electricity had been cut off. I visited a client in hospital who had attempted suicide and met a couple from the country in the evening who faced the sale of their home as a result of the wife's gambling.

I wish researchers and industry members could spend time with us – it might help them develop a clearer picture of the costs of problem gambling.

I apologise to the Commission for not being able to complete data in more detail but wish to provide information from my records in the following areas –

- Bankruptcy
- Criminal Issues
- Pawnbrokers
- Role of the Australian Finance Industry

BANKRUPTCY

During the last twelve months as one financial counsellor in a smaller State I have been involved in 20 petitions for personal bankruptcy totalling \$1.25M which can be directly attributed to the petitioners problem gambling addiction. The average number of debts per petition was eight and the sale of 6 house properties were involved.

A further \$500,000 could be attributed to bankruptcy as a result of a partner or family members gambling. Special arrangements under Parts 9 and 10 of the Bankruptcy Act or unofficial pro rata repayment Schemes where losses will occur total more than \$2M.

The considerable fraudulent behaviour of my clients resulted in three Company liquidations with losses exceeding \$1m.

EXAMPLE

Peter was a 36-year-old manager with a serious problem playing Black Jack at the Casino. Married with 2 children and a large Mortgage.

His house has been sold at a loss and a car on lease also sold. He had 6 Personal Loans, credit cards, loan from parents, outstanding school fees, medical bills, telephone account and taxation debt. Total bankruptcy debts \$84,000.

Bankruptcy as a result of Excessive Gambling or Speculation can be a CRIMINAL OFFENCE but I am not aware of a successful prosecution in our State for some years.

Problem gambling as a reason for personal bankruptcy is often not indicated and reasons given refer to health issues, loss of job, other criminal acts, breakdown in relationship and poor money management.

I believe that bankruptcy statistics are extremely conservative concerning problem gambling and difficult to identify while the present legislation is in place.

Debts written off voluntarily and not proceeding to bankruptcy represent a considerable cost impossible to determine particularly where loans from family and friends are involved.

Many of my clients have interest waived and make special lump sum offers in repayment of a debt e.g. 30c in the \$1.

Banks, Finance Companies, Credit Unions etc. all have large debt recovery sections pursuing loans involving gambling debts. What would be the cost incurred which is inevitably included in charges and interest rates. Who would benefit if problem gambling issues could be identified and addressed by the finance industry much earlier from further research and community education?

CRIME - POLICE - COURT - JAIL

CASE STUDY - MALE

14 Armed Robberies over 3 years

Amount not recovered		\$250,000
17 years Jail Term and say \$35,000 per year		595,000
Own funds lost		100,000
Family funds lost		60,000
Cost of Police Enquiries	est.	200,000
Court Costs, Legal etc.		<u>40,000</u>
TOTAL COST		\$1.25M approx.

This does not include -

- Cost of Trauma of Family and Friends
- Cost of Trauma of Victims of Hold-ups (including their families)
- Cost of Victims of Crime Claims
- Cost of Supporting his Family while in jail
- Cost of Counselling while in Jail and on Release

SUMMARY OF CRIMINAL ACTS

I have extracted details of Media Reports from our morning newspaper over the last 12 months of 16 criminal matters where problem gambling was stated to be significant matter.

- Total of Charges \$1.1M

- 8 Males / 8 Females with an average age of 37 years
- Only 2 cases appeared to involve significant acts of violence
- Half of the matters resulted in custodial sentences
- Other cases involving ARMED ROBBERY where problem gambling could have been a significant factor totalling \$200,000 are not included and 5 other matters involving physical violence, assault or attempted murder did not refer to gambling issues but my records indicate it also was an important factor.

The newspaper also highlighted 11 matters involving problem gamblers in other States totalling \$1.6M and two other well-publicised cases involving \$3M and \$4.2M were featured prominently.

OTHER INFORMATION

- Only 8% of my clients who were convicted during the period had their cases listed in the newspaper.
- My clients were charged with "white collar" crimes involving fraud, larceny, cheque/card offences, tax and Centrelink fraud and insurance offences including arson – total \$1.5M.
- On a confidential client/counsellor basis I believe that moneys stolen from employees/family and NOT charged exceed \$1.25M.
- 70% of my clients have not been charged as a result of their actions.
- A large number of computer initiated crimes are not proceeding to legal action as employers state they either cannot identify or prove losses and/or do not wish to receive the adverse publicity that could be involved if they pursue the matters.
- Only 4 of my clients have been involved in a crime of violence.

ILLEGAL GAMBLING

A Report of the Australian Tax Office 1997/8 estimated the cost as \$4B annually.

Who loses it and what could be the COSTS and BENEFITS?

I submit anecdotal evidence from my case files:-

- A male aged 38 years has lost \$240,000 playing POKER 3 years at a local Club.
- A well-known male client has lost \$600,000 to an ILLEGAL BOOKIE and is being threatened with exposure to his family and employer.
- A young South-East Asian client has lost \$200,000 playing BACCARAT at an Ethnic Club.
- Welfare Agencies advise of considerable increase in female clients seeking emergency help as a result of their partner's illegal gambling. Particular issues are being noted in Ethnic Agencies.
- Charges have been laid resulting from ILLEGAL COCK-FIGHTING.
- Illegal betting on sporting events involved debts of \$14,000 and \$26,000 to Loan Sharks for 2 clients.
- Overseas illegal lotteries particularly targeting the elderly.

SUMMARY

- There appears to be NO serious data being recorded of the number of problem gamblers in jail and research is urgently needed.
- There are no specific programmes to assist problem gamblers from time of arrest to post release or probation.
- Specific data is not being researched in POLICE/COURT records particularly in the areas of –

CENTRELINK / TAXATION FRAUD
SHOPLIFTING
LARCENY AS A SERVANT
CREDIT CARD FRAUD
INSURANCE FRAUD
GOODS RETURNED FOR CASH
PROSTITUTION

- Research into aspects of uniformity in sentencing is required including references to repayment of moneys stolen, rehabilitation programmes, training of Court Officials and inconsistencies between Government and Private fraudulent behaviour.

PAWNBROKERS

Using a Report of S.A. Financial Counsellors of 1996 as a base reference I have checked the files of 50 clients I have seen MAY/AUGUST of this year and summarise:-

- 62% had pawned goods in the previous month and 50% of these had lost, or expected to lose, the goods involved.
- Clients indicate they felt desperate and vulnerable and 16 had also been pressured into selling goods, usually jewellery or electrical items, for an average of 30% of the perceived value. 8 of these people had sold goods, which were under finance, and 3 sold goods belonging to a family member.
- Interest rates charged varied from 144% to 1800% per annum.
- Included in the goods pawned were 3 motor vehicles, a caravan, and a family computer with a son's University notes on file.
- 6 clients had continued to pay monthly interest for at least 6 months being "trapped" by high interest rates and rigid terms.
- What is the social cost? How do you value the effect on the student without his notes, the family without the VCR, Microwave or car? Is it a valid cost for a gambler to sell, or pawn, for food or rent or electricity?

Why did our State have only 12 - 15 Pawnbrokers when our Casino opened 15 years ago and now have more than 300?

I find it hard to accept an industry representative statement that this is a cost benefit providing a service and having wealthy pawnbrokers spending their profits stimulating the economy.

SUMMARY

- Can we agree to have Uniform Data collected in all States?
- Why can we ban a person in our State from a Casino or Gaming Room but not the TAB or KENO premises?
- Why can children be banned from Casinos and Gaming Rooms but be allowed on TAB premises?
- Why is the age of minors gambling different for Hotel, Keno and Lotteries Keno?
- Why hasn't our State Government delivered its decisions on a GAMBLING SOCIAL DEVELOPMENT COMMITTEE Report after 14 months?
- Why are Pokies limited to Licensed Premises and why is smoking permitted?

- How can Counsellors work with clients gambling on the Internet with an Overseas Casino or seek help from overseas for a gambling problem involving an Australian Internet site?
- What will happen if Researchers find the MISSING LINK or HOLY GRAIL? How will they know they have found it and will programmes already under considerable pressure be able to cope with the issues?

**THE ROLE OF THE AUSTRALIAN FINANCE INDUSTRY
(Defined as BANKS, CREDIT UNIONS, FINANCE COMPANIES, RETAIL STORES)**

Has the Industry providing credit to consumers a role to play in the area of problem gambling and, if so, what are their responsibilities?

Do they contribute to the Financial and Social costs of problem gambling?

Should they contribute to the resources to assist those working with problem gamblers and, if so, to what extent?

Could charges and fees be reduced without affecting their profitability if their staff were adequately trained in identifying problem gambling prior to approval of loans or in their debt recovery area.

EXAMPLE NO.1

A male using a friend's Bank Statement as the only form of identification went to a Bank Branch where he was unknown and the account was not maintained and withdrew up to \$3,000 on 15 separate occasions without question.

The Bank has repaid the funds to the rightful owner and criminal charges are pending.

- Issues include - why wasn't the identity and signature checked?
- was the Bank negligent and if so, should they bear the cost of such negligence?

EXAMPLE NO. 2

A male stole his Mother's cheque book and forged, and uttered, many cheques at his local Hotel Pokies venue. He was poorly educated and did not spell his Mother's signature correctly and the signature was unlike the specimen held by the Credit Union.

The Credit Union has reimbursed the Mother but unfortunately the male committed suicide when detected.

EXAMPLE NO. 3

A female opened a \$2,000 Credit Card account and \$6,000 Line of Credit by forging her husband's signature and stating "he is too busy to come in with the forms".

The forgery was not detected until the wife was injured in a traffic accident and the Finance Company contacted the husband. Debts outstanding \$14,000.

EXAMPLE NO. 4

An increase in a Housing Loan granted for \$40,000 for home improvements made on the signature of the husband only despite the Bank holding instructions authorising two parties both to sign any transactions. The funds were gambled over three days at the Casino and the Bank is defending a case of negligence.

BUSINESS CLIENTS - EMPLOYEE FRAUD

There is increasing evidence of considerable employee fraud but supporting statistics are difficult to obtain as prosecutions often are not initiated.

The extent of the problem is hidden for many reasons:-

- -Strong relationship between Bank and employer resulting in issues being "quietly" settled.
- Reimbursement being obtained from employee leave entitlements and superannuation.
- Possible embarrassment if the matters receive publicity.
- Loose Company accounting and audit procedures not detecting the full extent of many frauds.
- Large frauds exceeding \$100,000 are not uncommon.
- Staff initiated fraud by trusted employees eg. Tellers, Loan Managers.
- Many Companies have inadequate policies concerning Computer Fraud.

SUMMARY

What could be done to cut costs for Credit Providers?

- Establish stronger guidelines for proving identification at time of opening account.
- Strengthen guidelines for Credit Scoring prior to granting loans.
- Authenticated signatures on cheques and documents.
- Ensure that CREDIT REFERENCE ASSOCIATION records are checked when loan limits are increased whether automatically or on request.
- A mailing address using a Box Number represents a possible warning of problem gambling and other issues.
- Consolidated loans should insist that other loans be closed. Gamblers regularly reactivate them to gain extra credit.
- Information concerning employment, housing, family structure, income and expenses are not adequately checked.

e.g.

- Single problem gamblers regularly refer to a wife working to increase income figures.
- Closed accounts are reactivated despite written authority to the contrary or at another Branch of the credit provider.
- Car loans granted without proper checks that the client is the rightful owner and able to legally execute a charge over the property.

Problem gamblers regularly take advantage of these issues to gain funds to "feed" their addiction.

Is the involvement of the finance providers of relevance to the COMMISSION? There are significant costs being paid by the COMMUNITY as a result of increased fees, charges and interest to cover the losses incurred as a result of the actions of problem gamblers.

SURVEY

A survey of 100 clients shows that they have an average 6.5 accounts current when they present for counselling:

3 Store Accounts

2 Credit Card Accounts

1.5 Personal Loan/Credit Line Accounts

Average debt at time of initial contact	\$13,500
Average arrears at time of initial contact	45 days
No Payments being made at time of initial contact	58% of clients
Special arrangement regarding payments at time of initial contact	10%
Special arrangements regarding payments in place after third appointments	38%

A separate survey of 20 partners of problem gamblers shows:-

- Debts in partner's name only or joint debt where gambler is not contributing to repayments 80%.
- An average of \$7,500 is owing on loans in partner's name only.
- 25% of debts involve Housing Loans – average loan outstanding \$72,000 and in three cases sale of house seems inevitable.

Financial Gambling Counsellors play a valuable role in negotiating between client and credit provider and recommendations should include:-

- Specialist training for FINANCE INDUSTRY STAFF.
- Research into the costs of problem gambling to the industry.
- Possibility of the industry contributing to Research, Education and Counselling for problem gamblers.