



Australian Banking Association

VIA EMAIL: submissions@ausbanking.org.au

Use of Credit Cards for Gambling Transactions

The Salvation Army appreciates the opportunity to make a brief submission on the Australian Banking Association's Consultation Paper: *Use of Credit Cards for Gambling Transactions*. We appreciate the steps that financial institutions are taking to minimise harm to those who have a gambling addiction and welcome the Australian Banking Association's focus on this important matter.

The Salvation Army strongly supports financial institutions voluntarily blocking gambling transactions on credit cards and applauds those institutions that have already taken this step.

The Salvation Army is an international Christian movement with a strong presence in Australia. Our vision is to confront hardship and injustice by living, loving and fighting alongside others to transform Australia one life at a time, with the love of Jesus. We hold the view that gambling is an exploitative practice that should not be a means of income generation.¹ Gambling often preys on the most vulnerable people. It is not merely a harmless activity but can become a compulsive dependency.²

Consistent with our commitment to confront hardship and injustice and assist people who are experiencing disadvantage, The Salvation Army operates Moneycare, a free financial literacy and capability service. More information about our Moneycare services can be found at **Attachment A**.

We often provide services to people who are experiencing financial hardship and stress as a result of problem gambling. Our experience emphatically supports the statement identified in the consultation paper that the ability to accumulate large amounts of debt very quickly leads to significant harm. An example of someone we worked with whose carer used credit cards to fund problem gambling, can be found at **Attachment B** and illustrates that the harm caused is felt not just by the individual gambling but also by the people around them.

Based on our work with people who have experienced financial hardship and stress as a result of problem gambling, The Salvation Army makes the following observations and recommendations in response to the questions outlined in the consultation paper.

¹ The Salvation Army International Positional Statement, *Gambling* (2012). Accessed at https://s3.amazonaws.com/cache.salvationarmy.org/e9ce2248-e635-4490-967e-f8b0a821c391_English+Gambling+IPS.pdf.

² Ibid.

Risks and concerns associated with gambling with credit cards

The Salvation Army's primary concern with credit card-enabled gambling is that it enables significant debt to accumulate very quickly. Gambling addiction is an impulse control disorder³ and the ease of using a credit card means that barriers or physical cues that can assist people manage their impulses do not exist. This is particularly so when gambling online, as noted in the consultation paper.

A number of financial institutions have introduced measures to allow a person to voluntarily apply a block or limit on gambling transactions. Others have also created limits whereby a person is prevented from undertaking a gambling transaction when they are approaching their credit limit. These measures are a step in the right direction but rely on a person having the self-awareness and will to take positive action. Our experience suggests that these measures, while useful for some people, are not enough to address the harm experienced.

Voluntary restrictions also do not take into account family dynamics, nor patterns of family violence and abuse. Issues around identity theft or the absence of identity verification can mean that a person can accumulate a substantial debt in someone else's name. In our services we generally see this in instances where financial abuse is an element of family violence – an occurrence that is far too common. Financial abuse can linger long after a relationship has ended because either the victim-survivor is unaware of that a credit card has been taken out in their name or because the accumulated stress of family violence makes it difficult to work with financial institutions to correct the issue.

A secondary concern is around the financial literacy required to understand the consequences of using a credit card for gambling. The cash advance rate charged by many institutions makes the use of credit cards extremely expensive – a factor compounded when a person chooses only to make the minimum monthly repayments on their credit card. Our experience through delivering financial counselling services is that most people find it difficult to navigate the complexity of financial products and this difficulty is intensified when a person is already under significant stress.

Use of credit cards for gambling should, ideally, be prohibited

Our recommendation to financial institutions is that prohibiting the use of credit cards will be more effective and beneficial than simply restricting their use. There is a risk that restrictions will simply displace the risk rather than address it.

For example, one mode of restriction is to prevent the use of a credit card for gambling transactions as the credit limit of the card approaches. This means that a person needs to pay off at least some of their credit card debt before continuing to gamble. This is certainly better than there being no controls in place but still means that a person can exhaust most of their credit card limit on gambling transactions before the restriction is triggered. It does not solve the issue of the

³ Mayo Clinic, *Compulsive gambling* (2016). Accessed at < <https://www.mayoclinic.org/diseases-conditions/compulsive-gambling/symptoms-causes/syc-20355178>>

relative ease of using a credit card and the potential to disassociate the gambling action with its financial consequence. Further, in the situation above, the person will still need to spend money on the basics of living and this will potentially lead them to turn to other forms of credit. The Salvation Army has longstanding concerns about the impact of short-term credit and predatory lending practices on people who are experiencing financial disadvantage.

Prohibition should apply to all forms of gambling

It is the view of The Salvation Army that the risks associated with using credit while gambling apply to all forms of gambling and therefore, it should be prohibited (or at least, restricted) in all forms of gambling.

Consequences of prohibiting or restricting the use of credit cards for gambling

As gambling addiction is an impulse control disorder, there is always the possibility that a person who is unable to use a credit card will seek other forms of credit or ways around the prohibition.

Transition period if banks choose to implement changes relating to credit cards

We do not have expertise in this space but note that a number of financial institutions have already made this change.

Again, we thank the ABA for considering this matter and urge financial institutions to take this step voluntarily as a way of helping their customers, especially those who are experiencing a gambling addiction or financial hardship. If you would like to discuss any aspect of this submission further please do not hesitate to contact me at policy.advocacy@salvationarmy.org.au or on 0419 536 199.

Yours faithfully



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The Salvation Army's Moneycare service

Moneycare is The Salvation Army's financial wellbeing and capability service. It has been operating for over 30 years in Australia, delivering a range of free and confidential services such as financial counselling, financial capability support, financial literacy and capability workshops, and microfinance. The services seek to support people in financial hardship by addressing their immediate crisis situation and to help them build their long-term capability and resilience in managing financial hardship.

With The Salvation Army's mission and values as the foundation, Moneycare services are delivered with empathy and dignity, and an emphasis on building trusting relationships with people who are accessing their services. Since 1990, Moneycare has helped thousands of people experiencing, or at risk of experiencing, financial and social exclusion.

The value of Moneycare services is evidenced by two key pieces of research. In 2012 Swinburne University of Technology found that The Salvation Army's financial counselling services had a positive impact across the domains of debt resolution, wellbeing, financial capability and advocacy, with 94 per cent of those surveyed wishing that they had sought help sooner.

In 2016 new outcomes measurement tools were developed to measure the changes made in the first three months of a person's journey with Moneycare's financial counselling and capability services. A pilot of the tools across three jurisdictions in the 2017/18 financial year found that Moneycare helped community members address financial hardships, build financial resilience, and improve their mental health and overall wellbeing and spirituality. Seventy-nine per cent of respondents reported improvement in their financial resilience and 67 per cent reported improvement in their mental health within the first three months of connection with Moneycare.

Moneycare's client feedback on casework services also reaffirms the impact of its service delivery. Out of 2,207 responses received in 2017/18, 95 per cent of respondents reported increased money management knowledge or skills, 96 per cent reported an improved ability to handle their own financial situations, and 93 per cent reported that their financial difficulties were resolved or mostly resolved.

Case study – Moneycare

In response to the Australian Banking Association's review into the use of credit cards in gambling

Monica is in her early forties and receives the Disability Support Pension due to persistent health issues. She has two adult children and a 14-year old son, who does not live with her.

Monica previously had a carer with a gambling addiction, who, without her knowledge, used her identity to finance a poker machine addiction and take out several loans in her name: a credit card, secured a car loan (a car that she cannot drive due to her health condition), consumer leases for household items and a Centrelink debt. This has left Monica with significant debts and a fear of living on her own. She now lives with one of her adult children for part of the week for her own sense of safety.

On her first visit with Moneycare, Monica revealed that as a result of the emotional and financial abuse she had endured, her mental health had deteriorated and she had been diagnosed with post-traumatic stress disorder (PTSD) and anxiety. She also mentioned that she had been experiencing suicidal ideation. Moneycare liaised with her psychologist to document her mental health as she has problems with her memory and concentration.

Moneycare has been able to help Monica secure a debt waiver on her credit card. We are continuing to work with Monica's financier to return the secured car loan based on maladministration and without further legal liability. She has decided to continue with the consumer lease and her Centrelink debt is currently being reviewed.

Since connecting with Moneycare, Monica has also been able to get on to a good package under the National Disability Insurance Scheme (NDIS), which has given her options to improve her overall wellbeing through exercise, healthy eating on a budget, art therapy and other counselling services.