

Gambling Act 2005 Guidance on Exempt Lotteries, including Small Society Lotteries



The advice given in this document is not intended as a comprehensive or binding interpretation of the law and anyone intending to run a lottery should refer to the Gambling Act 2005 ("the Act") and if necessary seek independent legal advice to ensure they conform to the law before proceeding.

The Act introduces a new regulator for all gambling (except the National Lottery and spread betting) in Great Britain – the Gambling Commission. It also introduces a new licensing regime for society and local authority lotteries and a registration system for small society lotteries.

The Act creates two broad classes of lottery; first large society lotteries and lotteries run for the benefit of local authorities which are licensed by the Gambling Commission, and secondly exempt lotteries, including small society lotteries which is what this guidance is intended to give advice on.

Licensing Objectives

The Act has three licensing objectives, which underpin the functions that the Commission and licensing authorities will perform. These objectives are central to the new regulatory regime created by the Act. They are:

- Preventing gambling from being a source of crime and disorder, being associated with crime or disorder, or being used to support crime;
- Ensuring that gambling is conducted in a fair and open way; and
- Protecting children and other vulnerable people from being harmed or exploited by gambling.

Small Society Lotteries

Small society lotteries are lotteries promoted for the benefit of a non-commercial society. A society is non-commercial if it is established and conducted:

- For charitable purposes;
- For the purpose of enabling participation in, or of supporting, sport, athletics or a cultural activity; or
- For any other non-commercial purpose other than that of private gain.

Societies who run small society lotteries, that is to say lotteries, which are not large lotteries (essentially those in which £20,000 (or less) worth of tickets are put on sale and where the

society's aggregate proceeds from lotteries do not exceed £250,000 a year), may operate without a Gambling Commission licence provided they register with the local authority.

The promoting society of a small society lottery must, throughout the period during which the lottery is promoted, be registered with a local authority in England and Wales or licensing board in Scotland.

Societies are required to be registered with the local authority in the area where their principal office is located. If the local authority believes that the society's principal office is situated in another area it is required to notify the society as such as soon as possible.

Societies who are registered with the local authority and who sell tickets by means of remote communication (internet, telephone etc) are not required to hold a remote gambling licence issued by the Commission.

Ticket Information

All tickets in a society lottery must state:

- The name of the society on whose behalf the lottery is being promoted;
- The price of the ticket;
- The name and address of the member of the society responsible for the promotion of the lottery;
- The date of the draw, or the means by which the date may be determined.

Tickets which are issued through a form of remote communication or any other electronic manner must specify this information to the purchaser of the ticket and ensure that the message can be either retained or printed.

Sale of Tickets

Tickets may be sold by a person in a kiosk or shop premises (having no space for the accommodation of customers), or from door to door. Tickets must not be sold to any persons in a street. The Act defines a street as any bridge, road, lane, footway, subway, square, court, alley or passage (including passages through enclosed premises such as shopping malls) whether a thoroughfare or not. Tickets can only be sold by persons over the age of 16 to persons over the age of 16.

Limits on Small Society Lotteries

The limits placed on small society lotteries are as follows:-

- At least 20% of the lottery proceeds must be applied to the purposes of the society;
- No single prize may be worth more than £25,000
- Rollovers between lotteries are only permitted where every lottery affected is also a small society lottery promoted by the same society, and the maximum single prize is £25,000; and
- Every ticket in the lottery must cost the same and the society must take payment for the ticket fee before entry to the draw is allowed.

Prizes

Prizes awarded in small society lotteries can either be cash or non-monetary and the value of prizes declared on returns must not exceed the limits on prizes set out in the Act – i.e. that combined with any expenses incurred with the running of the lottery, such as managers' fees,

must not comprise more than 80% of the total proceeds of the lottery. Donated prizes are not counted as part of this 80% (as no money would be withdrawn from the proceeds to cover their purchase) but should still be declared on the return following the lottery draw.

Lottery Returns

Every society registered with a local authority to run small society lotteries must submit a statement providing the following information:

- The date on which tickets were available for sale or supply and the date of the draw;
- The total proceeds of the lottery;
- The amounts deducted by the promoters of the lottery in providing prizes, including rollovers;
- The amounts deducted by promoters of the lottery in respect of costs incurred in organising the lottery;
- The amount applied directly to the purpose for which the promoting society is conducted – at least 20% of the proceeds; and
- Whether any expenses incurred in connection with the lottery were not paid for by deduction from the proceeds, and if so, the amount of expenses and sources from which they were paid.

The statement must be sent to the local authority within three months beginning on the day on which the draw (or last draw) in the lottery took place. It must be signed by two members of the society appointed in writing for that purpose by the society's governing body and accompanied by a copy of that appointment.

Social Responsibility

Lotteries are a form of gambling and as such societies and local authorities are required to ensure that children and other vulnerable people are not exploited by their lottery.

The minimum age for participation in a lottery is 16 years of age. A person commits an offence if they invite or allow a child to enter a lottery other than certain classes of exempt lottery (i.e. incidental non-commercial lotteries, private lotteries, work lotteries and residents' lotteries).

Exempt Lotteries

In addition to small society lotteries, exempt lotteries include:

- Incidental non-commercial lotteries – commonly held at charity fund raising events;
- Private society lotteries – only members of the society and those on society premises can participate in the lottery;
- Work lotteries – only people who work together on the same premises may participate;
- Residents lotteries – only people who live on the same premises may participate; and
- Customer lotteries – only customers at the business premises may participate.

Incidental non-commercial lotteries

An incidental non-commercial lottery is one that is incidental to a non-commercial event. Examples may include a lottery held at a school fete or at a social event such as a dinner dance. An event is non-commercial if all the money raised at the event including entrance fees goes entirely to purposes that are not for private gain; therefore a fundraising social event with an entrance fee would be non-commercial if the profits went to a society but would not be non-commercial if the profits were retained by the organiser for private gain.

The Gambling Act 2005 specifies that:

- The promoters of the lottery may not deduct more than the amount prescribed by the Secretary of State from the proceeds in respect of the expenses, such as the cost of printing tickets, hire of equipment etc. This is currently £100; not more than £500 can be spent on prizes;
- The lottery cannot involve a rollover of prizes from one lottery to another; and
- All tickets must be sold at the location during the event, and the result made public while the event takes place.

Private Lotteries

There are three types of private lotteries that qualify as exempt lotteries:

- Private lottery – these can only be promoted by one of its members and tickets can only be sold to other members of that same society and persons on premises used for the administration of the society. The lottery may only be promoted for a purpose for which the society is conducted, and the society can be any group or society provided it is not established and conducted for purposes connected to gambling examples would include working mens clubs.
- Work lottery – the promoter of the lottery must work on the premises and tickets can only be sold to other people who work on the premises. The lottery must not be run for profit and all the proceeds must be used for prizes or reasonable expenses incurred in organising the lottery e.g. a grand national sweepstake.
- Residents' lottery – these must not run for profit and all the proceeds must be used for prizes or reasonable expenses. The promoter of the lottery must reside on the premises and tickets can only be sold to other residents of the same premises. The residency agreement can still be satisfied where the premises are not the sole premises in which a person resides e.g a student halls of residence.

No advertisement for a private society, work or residents' lottery may be displayed or distributed except at the society or work premises, or the relevant residence, nor can advertisements be sent to any other premises.

Private lotteries must comply with conditions set out in schedule 11 of the Act relating to tickets. In summary these are:

- A ticket in a private lottery may be sold or supplied only by or on behalf of the promoters.
- Tickets (and the rights they represent) are not transferable.
- Each ticket must state the name and address of the promoter of the lottery, the persons to whom the promoter can sell or supply tickets and the fact that they are not transferable.

Private lotteries cannot be conducted on vessels. The Act's definition of a vessel (section 353-1) is:

- Anything (other than a seaplane or amphibious vehicle), designed or adapted for navigation or other use in, on or over water;
- A hovercraft; or
- Anything, or any part of any place, situated on or in water.

The price paid for each ticket in a private lottery must be the same, must be shown on the ticket and must be paid to the promoters of the lottery before any person is given a ticket.

Customer Lotteries

A customer lottery is a lottery run by the occupiers of business premises, who sell tickets only to customers present on their premises.

The Act requires that in customer lotteries:

- The lottery must be arranged to ensure that no profit is made.
- Tickets may be sold or supplied only by or on behalf of the promoter;
- No advertisement may be displayed or distributed except on the business premises nor sent to any other premises;
- Another customer lottery cannot take place within seven days on the same business premises;
- Tickets (and the rights they represent) are non transferable;
- No ticket may result in the winner receiving a prize worth more than £50;
- No rollovers of prizes are permitted.
- Price payable for each ticket must be the same.

Each ticket in a customer lottery must state:

- The name and address of the promoter of the lottery;
- The persons to whom the promoters can sell or supply tickets;
- That the rights conferred by the sale or supply of a ticket in a customer lottery are not transferable.

Customer lotteries cannot be conducted on vessels.

Free Draws and Prize Competitions

Free draws are exempt from statutory control under the Gambling Act 2005.

Prize 'skill' competitions are also exempt in that they depend, in part, on the exercise of skill, judgement or knowledge of participants. A genuine prize competition must reasonably be likely to:

- Prevent a significant proportion of people who wish to participate from doing so; or
- Prevent a significant proportion of people who participate from receiving a prize.

If these barriers to entry and success can be shown, the process will not be deemed to rely wholly upon chance and will, therefore **not** be defined as a lottery.

How do I apply to register a small society lottery?

By completing an application form prescribed by the Act and paying appropriate fee (indicated on the scale of fees included). Once issued a registration is valid for one year after which an annual charge is payable each year thereafter on the anniversary of the grant of the registration

Application forms are available from the Licensing Unit at the address below.

Calderdale Metropolitan Borough Council
Customer services and Communications
General Licensing Unit
Town Hall
Crossley Street
Halifax
HX1 1UJ
Tel: (01422) 39/3001/3002/3173

If you would like this information in another format or language please contact: 01422 393001

اگر آپ کو یہ معلومات کسی دوسری زبان
یا شکل میں چاہئے تو رابطہ کریں:

01422 393001 (Urdu)