Gambling and Debt Project

Working Paper 01: Literature Review

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Literature Review: Resources and Search Terms

An extensive literature search was undertaken using academic search engines, electronic databases, internet searches, conference proceedings and other Government and research agency publications (see table 1). Requests for information ('grey' literature such as internal reports) were also made to key stakeholders and organisations including: Citizens Advice Bureau, Insolvency Service, HM Treasury, Manchester Advice Service, Consumer Credit Counselling Service, the Gambling Commission and the Department for Culture, Media and Sport. More than one hundred academic articles, books, reports and other publications were appraised with those sources most relevant to the study included in the review. A number of journal titles were consulted across sociology, psychology and economic journals including the Journal of Gambling Studies, the Journal of Psychiatry and the Journal of Socio-Economics.

In general we have selected timely documents published after 2000, although some earlier research has been included on the grounds that it is highly seminal and informs this project. The literature review document is a working paper which will be revaluated as the project proceeds in order to add any new publications relevant to our research.

As a key feature of this study is establishing whether people with gambling-related debt seek help only for their gambling or only for their debt, or for both problems, the literature review has concentrated on a broad range of resources (see table 1) and search terms around credit, debt and gambling (see table 2).

Table 1: Databases / electronic sources

Responsible Gambling Council of Canada's online library	Harvard Brief Addiction Science Information Source (BASIS)
Academic Search Premier	Her Majesty's Court Services Web Library
ABI/INFORM Global	HMIC (all 3 databases)
ASSIA	IBSS
Ministry of Justice	Insolvency Service
Business Source Premier	Joseph Rowntree Foundation (JRF)
CESSDA	Medline
Accountant in Bankruptcy (AiB Scotland)	Money Advice Trust information hub

Cochrane Library	NIHCE
Department for Constitutional Affairs Web pages	PsycArticles
Dissertation Abstracts	PsycInfo
ERIC	ScienceDirect
ESDS	Social SciSearch
British Library Catalogue	UK Insolvency Service Web Library
Alberta Gaming Research Institute	University of Bristol Townsend Centre for International Poverty Research
ESRC Society Today	Web of Science
Google Scholar	ZETOC

Table 2: Search terms used

Credit Betting and Debt	Gambling and Debt
Credit Card Debt	Gambling and Economic Impacts
Causes of Debt	Gambling Harms
Debt-coping Strategies	Gambling and Insolvency
Family Debt	Gambling and Money
Gambling and Acquisitive Crime	Internet Gambling and Debt
Gambling and Cashless Technologies	Remote Gambling and Debt
Gambling and Credit Cards	Financial capability and gambling
Financial literacy and gambling	Indebtedness and gambling
Over(-)indebtedness and gambling	Gambling and overdrafts
Gambling and personal loans	Gambling and loan sharks
Gambling and illegal lending	Gambling and bankruptcy
Gambling and home credit	Gambling and doorstep lending
Problem gambling	Gambling and credit
Gambling and borrowing	Compulsive gambling
Drivers of debt	Gambling and the Family
Betting and Debt	Effects of Gambling
Gambling and secured borrowing	Gambling and secured loans
Gambling and unsecured borrowing	Gambling and unsecured loans

The review has been divided into overarching sections that cover broad themes identified across the search terms used. The themes reflect the importance of establishing the nature of any relationship between gambling and debt at the individual and family level, within the wider social context that gambling takes place.

Introduction

The development of remote gambling in the UK since 2000, the perceived liberalisation of all types of gambling as a result of the Gambling Act 2005 and a marked rise in personal debt have all contributed to a media-driven public perception of an increase in gambling-related debt. This public perception reflects an area that has not been previously investigated in the UK. Problem gambling counselling organisations have long recognised that problem gamblers seeking support invariably have problem debts while debt advice organisations have become increasingly aware of gambling-related debt as an identifiable feature of their casework. However, as there has been little previous research into the relationship between gambling and debt, advice and support organisations interested in developing services in response to the problems encountered by their clients have no evidence with which to work. This project has been specifically developed to provide a foundation for a future large-scale study. The initial phase of this pathfinder project comprises this review of the existing research base to augment our existing bibliographic database to create a state-of-the-art resource of policy information and academic research in this new topic area.

An important point to consider when evaluating literature related to gambling impacts is that the existing research base has been predicated on a medical model of gambling. This means that there has been a concentration on pathological and problem gamblers, treatment methods and models of harm, all of which have been studied through a number of in-depth seminal studies conducted in the UK. While this research is essential the drawback is a distortion of the research picture, with much less work on the social impacts of gambling (Reith, 2003; Valentine and Hughes, 2008) and the social context which ferment gambling behaviours and attitudes (Reith, 1999; Casey 2008; Downs, 2008)

Early government recognition of the link between gambling and debt occurred more than 350 years ago. Gambling was becoming a popular, quasi-commercial undertaking and legislation aimed at controlling the pastime focussed primarily on limiting the economic impacts of excess gambling. The preamble to the relevant 1676 Act declared gambling to be: ‘Debauching many of the younger sort, both of the nobility and gentry and others, to the loss of their precious time and utter ruin of their estates and fortunes' (Chatto, 1848).[1] However, despite the early recognition of a link between excessive gambling and financial difficulties there is a dearth of literature investigating the micro-economic effects (at the individual and family level) of gambling and debt, most especially set in the context of the UK experience. In recent years the macro-economics of casino development in the context of regeneration and land use development has dominated the literature (Nichols et al, 2002; McMahon and Lloyd, 2006; May-Chahal et al 2007). Here, parallel (and inherently relevant) studies to investigate gambling's causal links with debt, financial capability and personal finance have failed to emerge. This research-shortfall is also noted in other jurisdictions, and was highlighted in a recent Australian study, 'It is surprising that the literature surrounding problem gambling pays so little attention to the economic aspects of gambling' (Gambling Research Australia, 2005, p.18).

Gambling and Debt: Economic and Social Impacts

There has been far more emphasis on research into the psychological aspects of problem gambling (Orford et al 2003; Parke and Griffitths, 2004), rather than social behaviour in relation to gambling. Here, the medical model continues to dominate albeit with a public-health approach coming to the fore which situates gambling in the position of a disease vector with gambling awareness education taking on the role of inoculation (Korn, 2000; Messerlian, Deverensky and Gupta, 2005). Furthermore, existing measurement criteria has done little to situate the concept of financial loss within an understanding of problem gambling. As Ladouceur (2004) has identified:

> *Although it may seem obvious that financial loss is a fundamental aspect of gambling problems, this perspective is sometimes not appropriately emphasized. For example, only 4 of the DSM-IV's 10 criteria defining pathological gambling explicitly refer to the loss of money and the problems caused thereby If the financial cost of gambling is emphasized, many of the criteria for identifying pathological gambling can be understood as consequences of this common cause. (Ladouceur, 2004)*

The lack of focus on the impact of gambling on individual and family debt has led researchers to conclude that the individual 'economic characteristics of gambling

1 'An Act to legalise Gaming; to prevent wealthy Pigeons being plucked by artful Rooks and to discourage Betting or Playing for large sums upon Tick' have vanished' (Slade and McConville, 2003, p.13). As Ladoucer suggested the lack of emphasis on the impacts of financial indicators in problem gambling in many studies of the pathology of gambling is one of the fundamental limitations of such work.

The scarcity of literature on the link between gambling and debt is perhaps surprising considering that gambling is essentially an economic activity that requires the use of individual finances to participate. Moreover, an outcome of problem gambling is debt which can subsequently lead to a shortage of expenditure for (and deprivation of consumer goods and services) which has an impact at the family level. Gambling and debt can also lead to a range of social harms, spreading far beyond the individual, including dysfunctional behaviour and acquisitive crime when an individual can see no way out of their financial predicament (Blaszczynski and Farrell 1998; Griffiths, 2004).

> *"As access to money becomes more limited, gamblers often resort to crime in order to pay off debts, appease bookies, maintain appearances, and garner more money to gamble" (NGISC 1999, 7–13).*

It is recognised by government agencies that both problem gambling and over-indebtedness have a number of individual and societal impacts. The UK Social Exclusion Unit considered problem debt impacted on: health status (especially stress, anxiety disorders and depression); employment rates (the ability to gain employment and stay employed); states of child poverty; housing (conditions and eviction rates); and incidences of crime (re-offending rates). Here, the effects of debt are seen as predicated upon a number of inter-related and complex social and economic facets, which are deemed a significant barrier to social inclusion and neighbourhood renewal (Social Exclusion Unit, 2004, pp 4-5). The adverse mental and health impacts of problem gambling are pronounced, with as many as 18% of individuals in gambling treatment centres having considered suicide (Marotta and Moore, 2004). Significant debt levels are also reported amongst gamblers in treatment (an average gambling related debt of $23,127 in one study) with concomitant impacts on housing, child poverty and relationship breakdown (Marotta and Moore, 2004). The complex link between individual debt, divorce rates and family breakdown has also been illuminated through other studies conducted in the area (see Kempson, 2002; Edwards 2003). Problem gamblers have also been found to suffer when in employment, with high rates of absenteeism and loss of productivity being identified in UK-based studies (Social Exclusion Unit, 2004, p4-5).

Research has shown that where illegal activities are pursued by a problem gambler these tend to be non-violent and are specifically related to the acquisition of finances to continue the gambling activity. This acquisitive crime includes: passing bad cheques, cheque forgery, loan fraud, hustling and fencing stolen goods and non-aggravated burglary (Leseiur, 1998). The prevalence of such behaviours amongst problem gamblers is indicated by the higher levels of rates of arrest and incarceration associated amongst problem gamblers (May-Chalal, 2007). Furthermore, crimes committed by problem gamblers against family-members may go unreported and are therefore under-represented in available studies (Tran, 1999). Work with cohorts of problem gamblers in treatment suggests that there is a high level of acquisitive crime to fund gambling, more than 30% in one small cohort admitted to committing crimes to fund their gambling (Marotta and Moore, 2004). Research also suggests that where problem gamblers commit violent crimes this may be driven by exasperation over their financial situation and the lack of opportunities to acquire funds to pay-off gambling debts (Polzin et al, 1998). Work with prisoners in New Zealand suggested that gambling-related debt can lead to additional criminal activity (Abbott, 2000; 2005). Gambling and related harms therefore seen to be closely tied to the financial implications of the pursuit, and for problem gamblers often appear to be predicated upon the lack of access to finances with which to gamble.

Self-regulation: The Vicious Circle of Gambling and Debt

The need for self-regulation noted by Shaffer (2005) and the responsibility of the individual to make informed choices (Abbott, 2005) suggests that it is important to have a cognitive model of gambling in addition to an understanding of the addiction. The vicious cycle of gambling and debt can be understood by examining individual behaviour in relation to a series of well-defined stages through which the compulsive gambler progresses (Rosecrance, 1986). Initially, an individual stakes a small amount of money on an event, a process which can be both positive and enjoyable and which may result in an initial ‘win’ or ‘big score’. This can lead to unrealistic projections of future earnings, and a subsequent increase in gambling activity. With increased activity, there is less success, and a loss of financial resources in the process. The result for problem gamblers is that instead of cutting their losses, gamblers believe that they can ‘recoup’ their losses and bet ever increasing amounts (a sign of pathological gambling) to solve their problems.

This form of ‘chasing’ seems to be driven by debt and maybe a consequence of debt in a type of vicious circle (Allcock and Grace, 1998) or, it has been suggested, the action is driven by irrational optimism and false belief on behalf of the individual that they can escape their financial situation (Walker, 1992). The gambler may have periods of abstinence, followed a period of rationalization, and then another round of betting. Gambling is no longer a pleasure, but a compulsion, which spiral the individual into ever-increasing amounts of debt, a vicious circle which is difficult for the individual to admit and seek help for. Here, the economic rationale for gambling also includes psychological principles where the individual is committed to winning based on false beliefs and irrational thinking. The cycle below can be seen as either an ‘impulse control disorder’ (Abbott, 2005) or an ‘addiction’ (Orford, 2005) but the effects on the individual and wider family are equally deleterious revealing a complex and inter-related model of causation.

Gambling and Debt: Behaviour and Addiction

UK research on the nature and extent of credit and debt and the social impacts of debt have generally been relatively small qualitative or mixed-methods studies, but nevertheless a reasonable body of such work exists (Pahl, 1999; Kempson, 2002; Edwards, 2003; Social Exclusion Unit, 2004; Institute for Social and Economic Research, 2005). The overall pattern of findings is that those individuals with a modest income are apprehensive about going into debt but yet, when there is a crisis in their lives are perhaps attracted by relatively easily available credit to take on more debt than they intended to. Research suggests that these decisions are becoming more individualised, which inevitably has a deleterious impact on the well-being of all members of the family when the problem becomes more apparent (Pahl, 2008). Individuals are now more able to conceal their spending (from their partner or the family) where ‘new forms of money’ such as credit and debit cards are becoming more personalised to the individual.

Nevertheless, despite the availability of data on spending patterns and access to credit at the individual level, there has been little attempt to link this with gambling activities and problem gambling per se, where it needs to be given renewed attention. As the activity of gambling involves expending money or other resources on an outcome determined by chance, and where problem gambling may be:

> *…characterised by the difficulties in limiting money on gambling activity, which leads to adverse consequences (debt and deprivation of services/goods) for the gambler and/or others. (Gambling Research Australia, 2005).*

Furthermore, Slade and McConville (2003, p.2) believe that “gambling ought to be understood as an economic activity carried out in specific historical settings, and is, like other such actions, governed by the uncertainties of expenditures and returns”. Personal debt arises as a consequence of spending money on gambling which exceeds one’s means whereby the loss of personal finances in itself only becomes a problem when it is relatively assessed against the gamblers disposable income. Financial problems are a result of an event where:

> *The gambler stakes “too much” money, “too much” being defined as exceeding the amount expended on gambling which causes the gambler to have insufficient monies to to be able to meet his or her other required payments and/or debts.(Gambling Research Australia, 2005, p.17).*

Thomas, Jackson and Blaszczynski (2003) believe that the link between gambling and financial distress must include income as a key indicator, revealing that problem gambling arises when:

> *Gambling expenditure is considered to be higher than can be reasonably afforded relative to the individual’s available disposable income and as a result produces financial strain. (Thomas, Jackson and Blaszczynski, 2003, p.15)*

This indicates that financial management problems (i.e. debt and the ability to service that debt) differ from person-to-person even when gambling expenditure is the same (Ontario Problem Gambling Research Centre, 2003). This manifests itself in conflicting definitions about what constitutes debt and indebtedness at the individual and family level. Furthermore, it appears to be even more difficult to establish the link between gambling and debt, given that gambling has been identified as a hidden addiction both within the individual and the family (Gengler, 2007), which can mask financial disarray (Grodsky and Kogan, 1985). Problem gambling has been labelled the 'hidden addiction' on account of the lack of visible symptoms that are easily attributable to gambling and the ease with which problem gambling behaviours can be hidden from family and friends (Ladoucer, 2004). This is in contrast to the abuse of alcohol or drugs which is often more visible (behavioural changes and apparent intoxication or stupefaction) facilitating awareness amongst family and friends and perhaps prompting offers of advice and support. Interviews with families coping with a member who has developed problem gambling have found that often the first indication of a gambling problem is a letter demanding repayment of a loan or the arrest of a family member for gambling-related theft (Valentine and Hughes, 2008, p. 19). An individual's behaviour within this context suggests that in many cases the gambler purposefully underestimates their gambling losses and will often fail to disclose the true economic value of the gambling problem.

In addition to the stigma associated with 'gambling' and 'debt', there are clear operational difficulties when attempting to ascertain the amount of debt which is attributable to gambling. This is exemplified in research which highlighted the difficulties in gaining accurate expenditure figures on different forms of gambling activities (Dickerson et al, 1990; Williams and Wood, 2004). The variation in the estimates of expenditure self-reported by problem gamblers in these pieces of research suggests it is often difficult to elicit an accurate picture of gambling debt. This has led researchers to conclude that there are inherent inaccuracies when establishing the reciprocal link between gambling and debt through existing reporting methods (Blaszczynski et al, 1997; Wood, 2007).

Research by Emma Casey (2003) found that although lottery gamblers often budgeted for their small but regular gambling, a common denominator amongst all but the wealthiest problem gamblers appears to be a failure of budgetary restraints, leading to debt. A survey conducted by the market research organisation YouGov found that significant numbers of self-reported gamblers were going into debt to fund their gambling and concluded that 21% of gambling (excluding lotteries and bingo) is funded by individuals increasing debt levels or using savings (YouGov, 2007). In response to increasing enquiries about gambling-related debt the UK Insolvency Helpline has added advice pages to its website covering such issues. Similarly, the Citizens Advice Bureau in Northampton has reported that over the period 2002-2007 clients reporting gambling as a factor in their debt problems has gone from zero to a significant number, (although the number is not stated) with most of the Northampton CAB gambling-debt clients showing the same pattern of rapidly increasing credit-card debt (Northampton Chronicle and Echo, 25/9/2007).

Nevertheless, the overseas research (in Hong Kong, Australia and the USA) which has been conducted into problem gambling and personal debt indicates that gambling is a significant contributing factor to unmanageable indebtedness at the individual level (Yip et al, 2007) whilst other research concludes that the strongest predictor of gambling problems is the level of expenditure on gambling (Blaszczynski, 1999, p.10). Walker and Dickerson (1996) and Dickerson et al. (1996) support the link between gambling and debt commenting that the difference between pathological gamblers and regular gamblers may be quantitative, where the only difference may be in terms of the size of their debt. Here, the subject of self-control is fundamental to understanding the adverse financial consequences that arise from gambling activity where emotional factors, individual differences, cognitive variables and coping are all seen as contributory factors (Dickerson and O'Connor, 2006)

Gambling, Expenditure and Debt: Consumer Trends and Regulation in the UK

There are various sources of information which can be mined regarding gambling activity and expenditure, including household surveys and prevalence studies. Although surveys are beneficial in reaching a wider representative population of the UK, given that only 0.6% of the population are problem gamblers it represents an operational difficulty when focussing on debt *per se* (Gambling

Commission, 2007). It was therefore necessary to consult the research conducted amongst problem gamblers and those respondents who have self-confessed indebtedness. Much of this empirical research is sourced from outside of the UK; the host countries have been identified where this is the case.

Data from the household expenditure surveys in the UK include details of household spend on gambling-related activities. In 1999 the UK the annual turnover on gambling was estimated to be in the region of £42 billion or an average of £320 per person over the age of 18, or 3% of household disposable income (DCMS, 2001). Survey results show that weekly household gambling payments were relatively static in the period 1990-1993; at £1.45 per week, although expenditure had fallen in real terms. There were large increases for the next 3 years and spending peaked in 1997-1998 at £4.30 per household per week. More recent figures show family spend on gambling activities has decreased, falling to £3.60 in 2007. International comparisons show the amount spent by the British is similar to New Zealand, which is still substantially behind the Australians, who are the biggest spenders (ONS, Family Spending, 2007). Given the predilection for people to under-estimate gambling spending and the fact that, for example, many bingo players do not consider bingo to be gambling (Henley Centre, 2007) the accuracy of this data has to be considered potentially dubious. The 2007 British Gambling Prevalence Study revealed attitudes and patterns of gambling across various activities at a fixed point in time. The results demonstrated that 68% of the population had participated in some form of gambling in the previous year and that this gambling was principally related to offline gambling activity - only 6% of people surveyed had used the internet to gamble. However, again caution must be exercised over the reliability of interpreting data from consumer surveys, even where as well-founded as the British Gambling Prevalence Study. The reports authors pointed out that "many gamblers do not appear to be making a realistic assessment of their previous week's spending" (p.44). This supports research conducted into the psychology of gambling, where winning experiences tend to be recalled far more easily than losses, which are more readily discounted (Gilovitch, 1983; Griffiths and Wood, 2001). Existing survey data may therefore be underestimating the weekly spend and the losses associated with gambling, a problem that this study will need to take into account when designing survey tools.

Through technological innovation people have increased access to new media (the internet, interactive television and mobile phone gambling) and new environments for participating in gambling-related activity. A recent report in the UK revealed that the growing phenomenon of internet gambling can have detrimental economic effects at the individual and family level (Valentine and Hughes, 2008). The research, conducted through quantitative survey work and qualitative interviews with online gamblers revealed that the problem of internet gambling and resultant debt may have been significantly underplayed. The survey respondents spent an average of £124.40 on gambling per week, two-thirds (£82.18) of which could be attributed to online gambling activities and a third to offline gambling spending. Furthermore, the results indicated that individuals appeared to spend twice the amount of money on a single form of internet gambling compared to typical spend on the same type of gambling engaged in offline.

The work of Valentine and Hughes (2008) suggests that internet gambling is more likely to account for spending patterns that are likely to lead to subsequent debt. Valentine and Hughes found that internet gambling provided an omni-present opportunity for individuals to engage in gambling. The medium was seen as a form of entertainment in the home; albeit with the apparent delusion that 65% of respondents felt online gambling 'was an opportunity to make money'. The study revealed that internet users were likely to resort to a range of strategies to manage their losses, including accessing diverse sources of credit and consumer debt products, which allowed them to continue to gamble until stopped by banks or credit institutions. In some cases, the only safety net that prevented gamblers with unmanageable and unserviceable forms of debt losing their homes was financial support from the wider family, parents or grandparents, sometimes through the outright payment of debts.

Other research conducted outside of the UK amongst problem gamblers suggests that there are also important gender differences amongst problem gamblers when accessing debt-related products. Research shows that male gamblers were more likely to resort to a bookie or loan shark to continue gambling, whilst female gamblers were more likely to report credit card debt (Potenza et al, 2001). It may be the case that underlying gender preferences are reflected in decisions made around debt-coping strategies. Loan-sharks or informal bookies credit may be viewed as safe options by male gamblers, whereas female gamblers are in any case less likely than men to gamble at a betting shop and may worry about issues of personal safety in using a loan shark. However, this topic would need further investigation before any conclusions could be drawn. The profile of problem gamblers also suggests that levels of deprivation play a key part in determining levels of indebtedness attributable to gambling. Research conducted in Canada identified that low income households are ‘over-represented’ in the top gambling expenditure quintiles and spend a larger proportion of their total household income on gambling products than other household income groups (MacDonald, 2004, p.231). This suggests that the economic costs of gambling are increasingly borne by those who can least afford the financial costs and related social problems, although there is a lack of substantial evidence to support this in the UK.

Research also indicates that indebtedness from gambling is a serious issue across all ages. Thomas (1996) identified that gambling-related debt was particularly prevalent amongst senior citizens in an area of Canada, where 5% admitted to gambling once a day and 3% reported borrowing money to cover gambling debts. Nor is gambling and debt only a concern amongst the adult population. Research on adolescent gambling has revealed the propensity for younger problem gamblers to report significant financial problems in later life (Griffiths, 1990). Kearney et al (1996) showed that gambling-related problems such as falling into debt, legal trouble, declining grades, and drug use were reported by 23.9% of respondents from private and public schools.

Additionally, previous research the impact of casino developments (May-Chahal, 2007) suggests that recent changes to UK legislation are likely to lead to a significant increase in gambling spending. The 2004 Gambling Bill and the subsequent Gambling Act (2005) has been criticised for relaxing the tight restrictions on gambling specified in earlier legislation, thereby increasing the opportunities and access to gambling through expanding casino provision and legalizing British-based internet gambling. This de-regulation of gambling has led some academics to postulate that increases in indebtedness and higher levels of bankruptcy will be a direct consequence of this legislation (Griffiths, 2004). Government liberalisation of gambling activities has been described as contradictory to the needs and wants of the public, who, it is argued, will become more exposed to the risks, financial and otherwise, of gambling as a result of legislative changes (Orford, 2005). However, it must be noted that other research has shown that gambling in small, manageable amounts can induce positive psychological benefits to the individual and that gambling in this context is not a hazardous activity. In direct response to the commentary provided by Orford (2005), it is believed by some that exposure to gambling activities does not exacerbate gambling-related problems, conversely that de-regulation enables the conditions for people to self-regulate (their finances, urges and desires) (Shaffer, 2005).

Gambling and Bankruptcy

The Gambling Act (2005) made gambling debts recoverable through the civil courts system for the first time and changes to the insolvency law under the Enterprise Act (2002) allowed people declared bankrupt as a result of gambling to have Bankruptcy Restriction Orders (BROs) or Bankruptcy Restriction Undertakings (BRUs) imposed upon them through civil court proceedings, which can extend the period before discharge from bankruptcy to up to fifteen years (Insolvency Service, 2007).[2] Data from the UK Insolvency Service indicates that levels of gambling-related debt involved in bankruptcies increased slightly between 2004/05 to 2005/06, but these figures relate to a period before the provisions of the

2 'A possible failure to keep proper accounting records or gambling/rash and hazardous speculation has been identified in around 0.5% of bankruptcy cases both before and after the implementation of the Enterprise Act 2002 (see Section 3.7 paragraphs 8-9). Prior to the Enterprise Act 2002, convictions were obtained in around 35% of such cases (see Section 3.7 paragraphs 10-12). Since the Enterprise Act 2002, BROs have been obtained in nearly all such cases due to the lower burden of proof required in the civil BRO proceedings compared to criminal proceedings. The average length of the BRO obtained is 5 years (see Section 3.7 paragraph 13).' Enterprise Act 2002 - the Personal Insolvency Provisions: Final Evaluation Report November 2007 P. 24 downloaded from http://www.insolvency.gov.uk/insolvencyprofessionandlegislation/legislation/evaluation/finalreport/report.pdf

Gambling Act (2005) came into effect, so as new data becomes available the picture might be found to be changing.

One key piece of evidence to emerge from this literature review comes from Insolvency Service incidence data on BROs and BRUs issued over the period 2005/2006 which show that almost 20% of such orders are issued in respect of gambling, rash and hazardous speculation or living an extravagant lifestyle (Insolvency Service, 2007). The case studies cited on the Insolvency Service web-pages focus primarily on gambling for this type of restriction, suggesting that gambling-related debt is having a very significant impact on the bankrupt, their family and creditors.

There has been research in the United States which found higher rates of bankruptcy among problem gamblers than amongst the general population, plus serious levels of credit and other debt with concomitant strain to relationships and social cohesion (Zimmerman and Breen, 2002). In the United States it has been suggested one in five problem gamblers will file for bankruptcy (National Endowment for Financial Education, 2000). Research from Connecticut published in the *American Journal of Psychiatry* in 2001 found that both problem gamblers and some regular gamblers have gambling-related debt problems (Potenza et al, 2001). However, the majority of the research was conducted before 1999 with only two significant US studies completed since then including any substantial research into levels of gambling-related debt amongst either problem gamblers in particular or people presenting with debt problems but not seeking help for gambling problems (Marotta et al, 2002; Cuadrado 2002). Research conducted amongst gambling treatment populations found that between 18% and 28% of males and 8% of females had declared bankruptcy (Lesieur and Anderson 1995; Thompson, Gazel and Rickman 1996). This trend was confirmed in a similar project concentrating on a sample of pathological gamblers which found that they demonstrated significantly elevated rates of having ever declared bankruptcy compared to non-gamblers: 19% versus 6% and 4% for low-risk and non-gamblers (Gerstein et al, 1999).

Empirical research overseas indicates a correlation between access to gambling facilities and bankruptcy rates.[3] For example, an increase in the availability of environments to participate in gambling (such as the internet, betting shops and casinos) has, in some jurisdictions, apparently lead to an increase in the the total number of people who file for bankruptcy (de la Vina and Bernstein, 2002). This relationship has also been noted in various studies in the United States concerning the impact of regional and state casinos. Projected and actual data from these studies reveals that higher levels of indebtedness and bankruptcy filing rates are an anticipated outcome of casino development (Barron et al, 2000).

There are complexities when attributing the impact of gambling activities on levels of personal debt. It is likely that a number of causal indicators will be presented in addition to the finances attributable to gambling, given that problem gamblers typically underestimate their losses. There is a stigma associated with problem gambling and gambling-related debt, which leads to under-reporting, thereby diminishing the significance of the problem in the minds of policymakers and the general public. However previous studies have illustrated the difficulties of relying on data collection from clients or advice agencies as a means of establishing the extent and nature of gambling-related debt. It seems that people with debt or with gambling problems often do not seek help from external agencies for their difficulties because of the stigma associated with both admitting to unmanageable debt and problem gambling, '[Individuals] did not consider formal or voluntary agencies as potential sources of support' (Valentine and Hughes, 2008, p.24). It has certainly been found that even where problems with debt arise from life events such as redundancy, 'most debtors are very sensitive about their position and do not want anyone to know about it' (William, 2004, p.1) This combination of factors makes gambling-related debt a very difficult area to research and may, in part, account for the small amount of research conducted to date.

[3] It should be noted that a correlation is not cause and effect.

Debt-coping Strategies, Information, Advice and Decision-making

Credit Action regularly surveys the extent and type of UK credit and debt.[4] The summer 2008 headline figures included total UK personal debt of £1.45 billion (Credit Action, 2008). This figure included un-defaulted credit**,** that is, mortgages, loans and other credit commitments that are being repaid according to the originally agreed terms.[5] Credit Action found that all types of consumer credit had increased over the 12 months to July 2008 while the figure of 104 houses being repossessed by mortgagees each day in the UK suggests that the impacts of the current 'credit crunch' are placing people under increasing pressure (Credit Action, 2008). The Financial Services Authority found that a significant number of people have difficulties meeting credit commitments, 'But for 9% of the population, keeping up is either a constant struggle or worse, with 3% falling behind, sometimes severely' (FSA, 2006, p.10). This finding is reflected in the casework of the Citizen's Advice Bureaux where debt-related matters made up just over one third of the problems presented by clients in 2006/2007 (CAB, 2008). The information that is not available from any of these public sources is whether any of the credit taken out has been used to fund gambling-related debt, or if gambling-related debt is an issue for any of the individuals seeking advice for unmanageable debt.

The small amount of research conducted on debt-coping strategies gives an insight into the formal and informal strategies that people may use to cope with their debt. An oral history project into gambling and debt (O'Connell, 2005) conducted in Belfast and covering the period from 1945 – 2000 notes the debt-coping strategies of wives with apparently high-earning working-class husbands (engaged in ship building) who spent their wages on drinking and gambling, leaving their family struggling to pay rent or buy food. Women in this sample used a range of informal and formal strategies to cope with gambling-related debt,

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4 Credit Action is a national money education charity (registered Charity No. 1106941) established in 1994.

5 Total UK Personal Debt Credit Action http://www.creditaction.org.uk/debtstatistics.html including pawn-brokers, the co-op dividend, borrowing food or cash from family and loans from credit unions or dock-gate loan sharks. However, as O'Connell does not mention help-seeking either for debt or gambling it is only possible to deduce from the study that gambling-related debt was common enough in Belfast over the period under consideration for it to appear several times in the sample of the thirty interviews conducted for this oral history project. The survey design and interview stages will take into account the potential for a range of debt-coping strategies to address unmanageable debt with both gamblers and non-gambling household members.

The 'Risk and Household Saving Behaviour' project conducted by Banks, Blundell and Lunt (2005) made no mention of unmanageable debt or debt impacts, but had some relevance for this project in its conclusion that a combination of economic and psychological factors decide whether individuals will engage in risky fiscal behaviour, and that levels of knowledge of sources of advice or differing understandings of financial advertising play a role in financial decision making. This suggests that advice materials developed as a result of this project will need to be carefully tested amongst potential users before they are disseminated. Further research on debt, individual finance and advice material was provided by the ESRC project 'Educating the Public in Financial Services: knowledge, information and learning' (Knights, 2005). This project looked at the role of personal finance education (PFE) and at how successful or otherwise this government strategy is. It is certainly arguable that PFE should include gambling awareness, although currently it is very low on the education agenda (Downs, 2007)[6] which has led to the call for a distinction to be made in developing PFE the distinction between information and knowledge (Knights, 2005). For example, the requirement to promote socially responsible gambling requires commercial gambling companies provide information for customers about setting spending limits and self-exclusion procedures. It also encourages the gambling operators to allow organisations such as Gamcare to provide information to customers. These steps are sufficient to fulfil the requirement to deliver socially responsible gambling,

6 Even school-based education can be limited to the provision of information although teachers are generally aware that learning is most successful where practical approaches are used Personal Finance Education is not part of the National Curriculum, but can be included within the PSHE curriculum. PSHE itself is only advisory, and schools tend to offer this subject either as days off-timetable, where a range of relevant activities are parachuted in or as a bolt-on to citizenship but the findings of Knights suggest that taking these steps may not mean the consumer is equipped with knowledge sufficient to recognise or avoid the development of problems with their gambling. A similar distinction may also be applied to the provision of credit; consumers will be sent leaflets about their loan or credit card, warning of the penalties for improper use, failure to repay or the need to budget, but this is not the same as the customer having a relevant broad-based, practical knowledge of strategies to avoid unmanageable debt. This knowledge needs to be targeted to ensure that prevailing attitudes towards debt are oriented towards financial planning and capability (Financial Services Authority, 2006). There are three key assumptions made by information providers that have relevance to this project. The first is that individuals are equipped with economic rational self interest. Knights' points out that rationality cannot be assumed. The second assumption is that financial decisions are made to satisfy essential needs. Here the complex functions of consumption are being overlooked. In the case of gambling-related debt the needs being satisfied are not those envisaged by the providers of information materials. The third relevant assumption is that consumers can calculate risk rationally. The work of Gerd Gigerenzer (2003) shows that even people who are assumed to understand how to calculate risk are generally inept at translating mathematical understandings into everyday life, Knights concurs with this judgement, 'A technical calculation of risk is only one response and not ordinarily one adopted by consumers'. To counteract this problem awareness needs to be targeted amongst consumers so that they are empowered to hear, see, do and practice in order to move from a position where they have information to being able to apply that as knowledge. Theories of learning are complex but actually very important in a far wider range of settings than educational institutions. Knights' work offers important insights that can be reconciled with existing understandings of the psychology of addictions into why it might be that point-of-sale information about setting budget limits, self-exclusion and sources of support and advice might not be taken up by those gamblers.

The increases in prevalence of remote gambling reported in the UK Gambling Prevalence Survey (2007) and studied in depth by Valentine and Hughes (2008) has given rise to concerns that unmanageable credit card debt may be a consequence for both problem gamblers and also new gamblers who lose rapidly over a short period, stop gambling when they have used their credit limit but find they cannot repay the card issuer. Rowlingson's and Kempson's seminal study of credit card debt, *Paying with Plastic* is now ten years old, but nevertheless offers many useful pointers for this work. The study was commissioned by a credit card company and researchers worked with defaulters identified by the card company. Clearly the Internet was not well-developed when the study took place but nevertheless, the categorisation of causes of default found by Rowlingson and Kempson provides a foundation for this research, while the section on approaches to money management offers insights into the differing priorities that a range of people might have towards different types of demands upon their income. The authors highlighted the potential of behavioural scoring as a means of spotting changes in client behaviours that could be used to trigger action by card issuers; a recommendation that will be re-visited during the focus group and elite interview stages of this study.

Conclusion

The dearth of UK-based research studies has meant that an evaluation of overseas research on the relationship between gambling and debt has been included in this review. However, this research must be applied to the UK context with caution. There are significant difficulties in applying such overseas research directly to the UK. The legal systems in the country where the study was conducted may not be comparable with the UK, which means that courses of action taken by debtors will not be directly analogous to the UK. Advice agencies in other jurisdictions may also operate under a set of parameters very different from those appertaining to the UK, meaning comparisons are difficult and potentially misleading. However, overseas research is useful in offering a range of methodological approaches for evaluation, and can provide the UK-based researcher with a broad range of applications and developments.

In conducting a thorough review of the literature the general agreement that problem gamblers had problem debts was common across all jurisdictions. However, there has been little attempt to explore the specific links between gambling and debt at the micro-level. The 'hidden' nature and the stigma surrounding the concepts of both ‘’gambling’ and ‘debt’ also identity the problems of conducting research in this area and the limitations with existing survey work. This is exacerbated by the difficulties of identifying problem debt amongst family members, which may lead to the individual with a gambling problem ceasing to gamble without ever receiving formal counselling or treatment for the gambling problem. Although Ladouceur (2004) highlighted the potential for the relationship between gambling and debt to assist in the identification of pathological gambling this has not encouraged further research into the topic. The paucity of research into gambling and debt needs to be viewed alongside a similar, although less pronounced, research shortfall into personal debt. The work of Elaine Kempson on poverty (see Joseph Rowntree Foundation publications) includes useful material on debt amongst poorer households, and indeed the JRF are currently funding several studies on debt (due to report in 2009 /10), but otherwise much of the research reviewed includes aspects of debt rather than specifically focussing on debt in relation to gambling. Nevertheless, there is a general understanding of the stressors that can lead to unmanageable debt, analyses of the efficacy of advice provision and a significant body of training materials for debt advice counsellors that builds on the available research.

This project will build on the areas of consensus and fill in some of the gaps in the literature highlighted in this review. The aim is to ensure that the voices of the participants are brought to the fore so that policy and practice can benefit from a long-overdue well-founded piece of research that will provide the foundations for future enquiry into the sensitive topics of problem gambling and unmanageable debt.

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