

Gambling Act 2005

Lotteries



Corporate Support
Services

Lotteries are arrangements where people pay to participate for the chance of winning a prize, and can be defined as either simple or complex.

A simple lottery is where:

- Persons are required to pay to participate.
- One or more prizes are allocated to the participants.
- Prizes are allocated wholly by chance.

A complex lottery is where:

- Persons are required to pay to participate.
- One or more prizes are allocated to the participants.
- The prizes are allocated by a series of processes; and:
- The first of these processes relies wholly on chance.

Lotteries differ from other types of gambling activities as the minimum participation age is 16, as opposed to 18 for most other types of gambling. Examples are set out below:

Large Society Lotteries: Societies that run lotteries where the proceeds (ticket sales) in a single lottery exceed £20,000, or the proceeds in all lotteries run in the same calendar year exceeds £2,500, are defined by the Gambling Act 2005 as running large lotteries, and as such are regulated by the Commission.

Local Authority Lotteries: These are lotteries operated by Local Authorities to support any purpose for which they have power to incur expenditure, and are regulated by the Commission.

Small Society Lotteries: These are where the proceeds (ticket sales) in a single lottery are £20,000 or less and £250,000 or less in all lotteries in the same calendar year. They are exempt from holding an operating licence but must be registered with their Local Authority. These lotteries must only be run in support of good causes, such as charity fundraising and cannot be run for private or commercial gain.

There are also three other categories of exempt lottery, which are not required to be run under operating licences. The following three types do not require registration with any statutory body, and do not need to be in support of a good cause:

Incidental non-Commercial Lotteries: Held at non-commercial events, where all money raised at the event goes entirely to purposes that are not for private or commercial gain (but must be run in accordance with **the relevant regulations**).

Private Society, Work or Residents Lotteries: Where tickets can only be sold to Society Members, workers in or residents of a premises.

Customer Lotteries: Run by occupiers of business premises selling tickets only to customers on the premises itself.

Section 1.0: Legal Status of Lotteries under the Act

Definition of Society:

Section 19 of the 2005 Act defines a society as such if it is established and conducted:

- For charitable purposes, as defined by Section 2 of the Charities Act 2006.
- 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.

- 1.1 It is inherent in this definition that the society must have been established for one of the permitted purposes, and that the proceeds of any lottery must be devoted to those purposes.

It is not permissible to establish a society whose sole purpose is to facilitate lotteries – it must have some other purpose.

Section 2.0: Registration of Small Society Lotteries by Licensing Authorities

Small Society Lotteries:

Society Status: The society in question must be 'non-commercial' (as per paragraph 1.1 of this document).

Size of Lottery: The total value of tickets to be put on sale per single lottery must be £20,000 or less, or the aggregate value of tickets to be put on sale for all their lotteries in a calendar year must not exceed £250,000. If the operator plans to exceed either of these values then they will be classed as a large lottery operator, and must be licensed with the Commission instead.

- 2.1 The Licensing Authority with which a small society lottery is required to register must be in the area where their principal office is located. If a Licensing Authority believes that a society's principal office is situated in another area, it should inform the society and the other Authority as soon as possible.
- 2.2 Applications for small society lottery registrations must be accompanied by both the required registration fee and all necessary documents required by the Licensing Authority to assess the application accordingly.
- 2.3 New applicants will need to provide a copy of their terms and conditions or their constitution to establish that they are a non-commercial society. Applicants will also provide the local authority with a declaration, stating that they represent a bona-fide non-commercial society.

Section 3.0: Administration and Returns

Lottery Requirements:

- 3.1 As the purpose of permitted lotteries is to raise money for non-commercial cause, the Act requires that a minimum proportion of the money raised by the lottery is channelled to the goals of the society that promoted the lottery. If a small society lottery does not agree with these limits it will be in breach of the Act's provision, and consequently be liable for prosecution.
- 3.2 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 (Schedule 11, paragraph 33).
 - No single prize may be worth more than £25,000 (Schedule 11, paragraph 34).
 - 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 (Schedule 11, paragraph 35); and:
 - Every ticket in the lottery must cost the same and the ticket fee must be paid to the society (i.e. the society must take payment before entry into the draw is allowed). (Schedule 11, paragraph 37).

Lottery Requirements:

- 3.3 Lotteries may involve the issuing of physical or virtual tickets to participants (a virtual ticket being a non-physical, for example in the form of an e-mail or text message). Schedule 11(36) requires that a purchaser of a small society lottery ticket must receive a document which identifies:
- The name of the promoting society.
 - The prices of the ticket (must be the same for all tickets).
 - The name and address of the member of the society who is designated as having responsibility at the society for promoting small lotteries, or (if there is one) the external lottery manager; and:
 - The date of the draw, or enables the date to be determined.
- 3.4 The Act requires that lottery tickets may only be sold by persons over the age of 16.

Section 4.0: Other Exempt Lotteries

Private Lotteries:

- 4.1 There are three categories that qualify as exempt lotteries:

Private Society Lottery:

Private lotteries can only be promoted by authorised members of a society, and tickets can only be sold to other members of that same society, or to persons on the society premises. 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 of this type of lottery would include those limited to members of a working men's club or a sports club, where guests at the club would not be permitted to participate.

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 same 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.

Residents' Lottery: The promoter of the lottery must reside on a single set of premises and tickets can only be sold to other residents of the same set of premises (the residency requirement can still be satisfied where the premises are not the sole premises in which a person resides). 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.

4.2 It is a requirement of the Act that 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 such advertisements be sent to any other premises.

4.3 Rollovers are prohibited in private lotteries.

4.4 Private lotteries must comply with conditions set out in Part Two of Schedule 11 of the Act, relating to the price and format of tickets. In summary these are:

- A ticket in a private society lottery may only be sold or supplied by the promoter or another person who is a member of the same society, in a works lottery by the promoter or another person employed on the same premises, or in the case of a residents' lottery by the promoter or another person who resides on the same premises.
- Rights conferred by tickets are not transferable and this should be made clear on the lottery tickets.
- Each ticket must state the name and address of the promoter or promoters of the lottery and the class of persons to whom the promoter(s) can sell or supply tickets.
- The price paid for each ticket in a private lottery must be the same, must be shown on tickets, and must be paid to the lottery promoter before any person is given a ticket.

4.5 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.

Customer Lotteries:

4.6 Customer lotteries are run by the occupiers of business premises, who sell tickets only to customers present on their premises.

4.7 The following requirements apply:

- A ticket in a customer lottery may only be sold or supplied by the promoter or by someone on their behalf.
- No advertisement may be displayed or distributed except on the business premises, or sent to any other premises.
- No ticket may result in the winner receiving a prize worth more than £50.
- No rollovers of prizes between lotteries are permitted.
- Each ticket must state:

- ❖ The name and address of the promoter of the lottery.
 - ❖ The class of 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 may not take place within seven days of another customer lottery promoted on the same business premises.

Free Draws and Prize Competitions:

4.8 Free draws are exempt from statutory control under the Act.

Prize 'skill' competitions are distinguished from lotteries in that they depend, in part, on the exercise of skill, judgement or knowledge by participants.

Section 5.0: Contact Information

For all e-mail communication:	info@gamblingcommission.gov.uk
For all postal communication:	Gambling Commission Victoria Square House Victoria Square Birmingham B2 4B
For all telephone enquiries:	0121 230 6666
For fax communication:	0121 233 1096
Website: Epping Forest District Council:	www.gamblingcommission.gov.uk
E-mail communication:	eppingforestdc.gov.uk
For telephone communication:	01992 564034
For fax communications:	01992 561016
Website:	www.eppingforestdc.gov.uk