

**GAMBLING ACT 2005
SCHEDULE 11****GUIDANCE NOTES ON LOTTERIES**

The Gambling Act 2005 repeals the Lotteries and Amusements Act 1976 (c.32). This:

- establishes a licensing regime for large non-commercial society and local authority lotteries, to be administered by the Commission
- continues a registration system for small non-commercial society lotteries, to be administered by licensing authorities.

The Act defines a lottery (Section 14). It states that it is illegal to promote or facilitate a lottery, unless it falls into one of the two categories of permitted lottery. These are:

- **Licensed lotteries** - large society lotteries and lotteries run for the benefit of local authorities, regulated by the Commission, and requiring operating licences
- **Exempt lotteries** - four types of exempt lottery, expressly permitted under Schedule 11 of the Act, including the small society lottery. The others are described later in these notes.

1. KEY CHANGES FROM THE LOTTERIES AND AMUSEMENTS ACT 1976

The Act introduces some relaxation of society lottery law and, in particular it:

- removes the individual limits on the percentage of proceeds that may be used for expenses or prizes – although the maximum global amount that can be deducted for expenses and prizes remains at 80%, with a minimum of 20% going to the purposes of the society or to local authority expenditure
- allows rollovers of prize funds from one lottery to another promoted by the same society, provided the maximum single prize does not exceed £25,000 or 10% of the gross proceeds
- permits the sale of tickets by an automated process
- removes the £2 maximum limit on ticket prices.

2. TYPES OF LOTTERIES (including exempt)**Society lotteries**

A society is non-commercial if it is established and conducted for:

- charitable purposes (as defined by section 2 of the Charities Act 2006)
- the purpose of enabling participation in, or supporting, sport, athletics or a cultural activity
- any other non-commercial purpose, other than that of private gain.

Local authority lotteries

A local authority may use the net proceeds of its lottery for any purpose for which it has power to incur expenditure.

**Exempt lotteries – other than the small society lottery
(refer to GA2005 – Sch 11 – Exempt lottery regulations)**

- 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 working together on the same premises can participate
- residents' lotteries – only people living at the same premises can participate
- customer lotteries – only customers at the business premises can participate.

The National Lottery

This is regulated by the National Lottery Commission

3. EXEMPT LOTTERIES

The following lotteries **do not** require licensing with the Gambling Commission or registration with the local authority:

Incidental non-commercial lotteries

An event is deemed non-commercial if all the money raised, including entrance fees, goes entirely to purposes that are not for private gain. Good examples are a school fete or a dinner dance, when the profits go to the society and not the organiser. Part 1 of Schedule 11 specifies that:

- the promoters must not deduct more than £500 from the proceeds for the cost of prizes
- the promoters of the lottery must not deduct more than £100 from the proceeds for the cost of other expenses, such as printing tickets or hiring equipment
- the lottery cannot involve a rollover of prizes from one lottery to another
- tickets must only be sold at the premises during the event, and the result made public before the event finishes.

PRIVATE LOTTERIES

There are three sub-categories:

i. **Private society lottery**

This can only be promoted by authorised members of a society and tickets can only be sold to other members of that society or to people on the society premises. The lottery may only be promoted for a purpose for which the society is conducted provided it is not established for purposes connected to gambling. Examples are working men's clubs or a sports club where guests would be permitted to participate.

Category B3A gaming machines offering lottery games permitted in members' clubs and miners' welfare institutes under these regulations fall into this category. These machines must only be used by people over the age of 18.

ii. **Work lottery**

The promoter must work on the premises, and tickets can only be sold to people working there. It must not be run for a profit and all proceeds must be used for prizes or reasonable expenses incurred in organising the lottery. An example is a sweepstake for the Grand National.

iii. **Residents' lottery**

The promoter must reside on a single set of premises, and tickets can only be sold to other residents of the same set of premises. It cannot be run for profit and all proceeds must be used for prizes or reasonable expenses incurred in the organisation. A student halls of residence is a good example.

Conditions for private lotteries

Although exempt from registration, private lotteries must comply with the conditions set out in Schedule 11 of the Act, which are in brief:

- Advertising is restricted to the premise at which the lottery is being held and no adverts can be sent to any other premises
- Rollovers are prohibited
- Tickets can only be sold or supplied by the promoter or another member of the same society, eg a resident or another person employed at 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(s) and the class of persons to whom the promoter(s) can sell or supply tickets.
- The price paid for each ticket must be the same, must be shown on the ticket and paid to the promoters before anyone is given a ticket.
- Private lotteries must not be conducted on vessels (the definition of vessels is in Section 353(1) of the Act).

CUSTOMER LOTTERIES

These are run by the occupiers of business premises who sell tickets only to customers on their premises.

Conditions for customer lotteries

The following conditions apply to customer lotteries:

- A ticket must only be sold or supplied by the promoter or someone on their behalf.
- No advertisement can be displayed or distributed, except on the business premises, or sent to any other premises ie must only be advertised on the premises on which it is held.
- No ticket will result in the winner receiving a prize worth more than £50.00
- No rollovers of prizes between lotteries are permitted.
- Each ticket must state:
 - the name and address of the promoter
 - the class of persons to whom the promoters can sell or supply tickets
 - the rights conferred by the sale or supply of a ticket are not transferable
- Customer lotteries must not take place within seven days of another customer lottery promoted on the same business premises.
- Customer lotteries must not be conducted on vessels (definition of vessels is in section 353(1) of the Act).

4. LICENSING / REGISTRATION REQUIREMENTS

Large society and local authority lottery licensing

An operator's licence is required and issued by the Gambling Commission for a large lottery if:

- total proceeds made from ticket sales in a single society lottery exceed £20,000
- total tickets sales in a calendar year exceed £250,000 in aggregate.

Small society lotteries – requires registration with local authority

The Act's definition of a small society lottery falls into two distinct areas:

- **Society status** – the society in question must be 'non-commercial', and
- **Lottery size** – the total value of tickets for sale per single lottery must not exceed £20,000 or the aggregate value of tickets for sale in all their lotteries in a calendar year must not exceed £250,000.

If the operator plans to exceed either of these values, they may need to be licensed with the Commission to operate a large lottery.

Further guidance available at www.basingstoke.gov.uk includes:

- **Guidance Notes on the Registration of a Small Society Lottery.**

Reference materials available on the Gambling Commission website <http://www.gamblingcommission.gov.uk> include:

- Gambling Act 2005
- Lotteries and the Law (Gambling Act 2005)
- Prize competitions and free draws: The requirements of the Gambling Act 2005

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