

SALAD

MONEY

JUST ONE MORE
SPIN
YOU SPIN, WE WIN!

KEEP
PLAYING
KEEP
PLAYING
KEEP
PLAYING

DON'T STOP NOW!
WINNING
IS JUST AROUND THE CORNER
PLAY TO LOSE CASINO

HARMFUL GAMBLING

Using financial data to understand
patterns of problem gambling

MORE THAN YOUR SCORE™

February 2023

Gambling is common among financially vulnerable people seeking a loan. Addictive and problem gambling is increasing.

This report is based on analysis of over 100 million financial transactions from more than 77,000 people. They are mainly female, lower-paid NHS and public sector workers, with an average annual income of £24,000. The data reveals disturbing evidence and the need for urgent action:

- Addiction and problem gambling is commonplace and has increased in the past year.
- One in eight people spend more than £500 per month (at least a quarter of their income) on gambling transactions; 8% spend more than £1,000 per month.
- Credit Reference Agencies' data appears completely ineffective at predicting problem gambling. Many lenders do not identify it and there is distressing evidence that people are fueling an addiction to harmful gambling with credit they should not be able to access.

It is now four years since the UK Government promised a review of the 2005 Gambling Act to ensure it is "fit for the digital age" yet there is no sign of its publication. Delay has followed delay despite Public Health England's compelling evidence of the financial, relationship, health, employment and educational harms associated with gambling and call for more action "to prevent and reduce" these harms. There are more than 400 gambling-related suicides every year in the UK.

This report shows problem gambling is increasing, is prevalent across all demographics, and is not being addressed by the gambling industry. Worryingly many in the traditional consumer credit industry are making poor lending decisions for vulnerable consumers. Why are financially vulnerable customers allowed to continue gambling and granted credit to do so? Change is overdue.



Lord McNicol
Baroness Evans
Salad Projects Oversight Body

ABOUT THIS REPORT

Salad Money is a social purpose lender. Our customers work in the NHS and public sector, can afford to repay credit, but cannot access it on fair terms elsewhere. We use Open Banking rather than credit scores to assess affordability for a loan. 50% of our customers are classed as 'near prime.' We are a social enterprise and Responsible Finance member.

We have built a powerful and fair credit affordability process using Open Banking data. On average each applicant has 1,600 individual transactions spanning the previous 12 months which we categorise and can analyse not only to make an approval decision but to generate unique insights into applicants' financial health.

This report is based on all 77,000 applications for credit we received between 1 November 2022 and 20 January 2023. If we decline an applicant due to excessive gambling we inform them that this is the reason, providing an independent perspective on their gambling habits.

THE DATASET

- **77,000** applicants of whom we accepted **5,300** for credit.
- **70%** female.
- Average age **41**.
- Average monthly income (from wages and benefits): **£2,049**.
- Predominantly NHS and public sector workers with 'near-prime' and 'sub-prime' credit profiles.



GAMBLING IS COMMON AMONG FINANCIALLY VULNERABLE PEOPLE SEEKING A LOAN:

- **56%** of applicants have evidence of gambling in the last 3 months.
- **22%** of applicants spend more than £100 per month on gambling.
- We decline **29%** of our applicants because of the level of gambling.



Proportion of applicants by gambling amount per month in the 3 months prior to application

● No gambling	44%
● 0-£100 p.m.	33%
● £100-£500 p.m.	10%
● £500-£1,000 p.m.	4%
● £1,000+ p.m.	8%

IT'S INCREASING:

- We declined 29% of applicants for gambling reasons in January 2023 compared with 25% in January 2022.

THIS ISN'T 'SOCIAL' GAMBLING:

- **1 in 12 (8%)** of all applicants have an average gambling spend of >£1,000 per month.
- Of those we decline for gambling, over half are spending **more than £350 per month on average**.
- They average 40 gambling transactions per month, but **13% make more than 3 gambling payment transactions every day**.
- For people we decline, gambling accounts for **16% of their entire expenditure** on average, but gambling is half of their expenditure for 6% of them.



APPLICANT A, 36 YEARS OLD

In January 2022, the applicant made 337 individual payment transactions with the same betting company, withdrawing £5,084 from their bank account. £2,010 was paid back in to Applicant A's bank account from their betting account.

On a typical day the applicant made 30 different transactions with the same betting company, spending £386.

GAMBLING PROPENSITY IS NOT CORRELATED WITH CONSUMERS' CREDIT RATINGS

We ran a retrospective analysis and cross-referenced the credit score provided by a credit reference agency for people we had made an Open Banking-powered lending decision.

% of applicants failing for gambling reasons by credit rating



MANY LENDERS ARE NOT IDENTIFYING PROBLEM GAMBLERS:

- Gambling transactions are not visible to credit reference agencies so their data is a weak predictor of excessive gambling.
- Gambling is easily identified using Open Banking yet many lenders do not use this technology.
- This is leading to many tragic examples where gamblers are effectively funding their addiction with credit.



APPLICANT B: 34 YEARS OLD WITH NET MONTHLY INCOME OF £2,800

Between November 2022 and late January 2023 Applicant B made 155 gambling payments totalling £33,900. £28,900 in "winnings" were paid back into the applicant's account.

Over these three months Applicant B was granted **five high cost loans** totalling £2,100 followed by **two sub-prime loans** totalling £3,500. In January 2023, "B" applied for a £1,000 Salad Money loan which we declined based on our analysis of their financial transactions.

We want to use the power of Open Banking data to drive change.

Problem gambling is increasing and is prevalent across all demographics.

Many in the traditional consumer credit industry are making poor lending decisions for vulnerable consumers.

Change is overdue.

GET IN TOUCH:

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 Salad-Money