

Organising small lotteries

Advice on lotteries that do not require a licence or registration
November 2009

1 Introduction

- 1.1** Lotteries are illegal unless they fall into one of the categories specifically permitted by law. Apart from the National Lottery (which has its own dedicated legislation), the relevant law is contained in the Gambling Act 2005 (the Act). The Act creates eight categories of permitted lottery. Three of these categories (small and large society lotteries and local authority lotteries) require either a licence from the Gambling Commission (the Commission) or registration with a licensing authority. Advice on these can be found in a separate document called *Promoting society and local authority lotteries*.
- 1.2** This document provides a general guide to the main provisions and requirements of the law relating to the only other types of permitted lotteries. Such lotteries are intended to be small-scale and as such they do not require either a licence or registration. These are customer lotteries; non-commercial lotteries that are incidental to some other event; and three types of permitted private lottery (private society lotteries; work lotteries; and residents' lotteries). Each of these is described separately below.
- 1.3** This advice is not comprehensive or a binding interpretation of the law and anyone intending to run such a lottery should refer to the Act and if necessary seek independent legal advice to ensure that they conform to the law before proceeding.

2 Definition of a lottery

- 2.1** In simple terms a lottery is a kind of gambling that has three essential elements:
- payment is required to participate
 - one or more prizes are awarded
 - those prizes are awarded by chance.
- This is set out more formally in the Act which defines two types of lottery, a simple lottery and a complex lottery.
- 2.2** An arrangement is a simple lottery if:
- people are required to pay to participate in the arrangement
 - in the course of the arrangement one or more prizes are allocated to one or more people in a class
 - the prizes are allocated by a process which relies wholly on chance.
- 2.3** An arrangement is a complex lottery if:
- people are required to pay to participate in the arrangement
 - in the course of the arrangement one or more prizes are allocated to one or more people in a class
 - the prizes are allocated by a series of processes
 - the first of those processes relies wholly on chance.

3 Types of lotteries that do not require a licence or registration

3.1 These are:

- (a) incidental non-commercial lotteries – commonly held at charity fund raising events
- (b) private lotteries
 - 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 at the same premises may participate
- (c) customer lotteries – only customers at the business premises may participate.

4 Incidental non-commercial lotteries

4.1 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 (proceeds) at the event including entrance fees, sales of food and drink and so on, 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 monies raised went to a society but would not be non-commercial if the monies were retained by the organiser for private gain. However, money raised by third parties will not form part of the proceeds of the event and so may be appropriated for private gain. An example of this would be refreshments or entertainment provided at the event by an independent third party.

4.2 The Gambling Act 2005 and a related Statutory Instrument¹ specify that:

- the promoters of the lottery may not deduct more than £100 from the proceeds in respect of the expenses incurred in organising the lottery, such as the cost of printing tickets, hire of equipment and so on
- not more than £500 can be spent on prizes (but other prizes may be donated to the lottery)
- the lottery cannot involve a rollover of prizes from one lottery to another
- all tickets must be sold at the location during the event, and the result made public while the event takes place.

5 Private lotteries

5.1 There are three types of private lotteries permitted by the Act:

- private society lottery
- work lottery
- residents' lottery.

5.2 Private lotteries must comply with conditions relating to advertising which state 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 may it be sent to any other premises.

5.3 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 non-transferable
- each ticket must state the name and address of the promoter of the lottery, the people to whom the promoter can sell or supply tickets and the fact that they are not transferable.

¹ Gambling Act 2005 (Incidental Non-Commercial Lotteries) Regulations 2007 (SI 2007/2040)

- 5.4** 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
 - anything, or any part of any place, situated on or in water.
- 5.5** 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 anyone is given a ticket.
- 5.6** The arrangements for private lotteries must not include a rollover of prizes from one lottery to another.

Private society lotteries

- 5.7** Private society lotteries can only be promoted by an authorised member of a society. The society can be any group or society, provided it is not established and conducted for purposes connected to gambling; for example private members clubs can organise such lotteries. Tickets can only be sold to other members of that society and to people on the premises used for the administration of the society. The lottery may only be promoted and raise proceeds for the purposes for which the society is conducted.

Work lotteries

- 5.8** Work lotteries can only be promoted by someone who works on the premises (see paragraph 5.10) and tickets can only be sold to other people who work on the same single set of premises. The lottery must not be run for profit (see paragraph 8 below) and all the proceeds (gross ticket sales) must be used for prizes or reasonable expenses incurred in organising the lottery. An arrangement such as a Grand National sweepstake held in an office is an example of a work lottery.

Residents' lotteries

- 5.9** Residents' lotteries must not be run for profit (see section 8 below) and all the proceeds must be used for prizes or reasonable expenses. The promoter of the lottery must reside in the premises and tickets can only be sold to other residents of the same single set of premises. The residency requirement can still be satisfied where the premises are not the sole premises in which a person resides, for example student halls of residence.

Definition of 'single set of premises'

- 5.10** The Commission is of the view that the wording 'single set of premises' was designed to include the situation where there might be multiple buildings on a single site, such as a hospital site or the many buildings which may exist within larger corporations. The term does not include multiple sites; for example a company with premises in more than one area would not be able to sell tickets for a single private lottery covering all of the sites.

6 Customer lotteries

- 6.1** A customer lottery is a lottery promoted by the occupiers of business premises, who sell tickets only to customers present on their premises.
- 6.2** The Act requires that in customer lotteries:
- the lottery must be arranged to ensure that no profit is made (see section 8 below)
 - tickets may be sold or supplied only by or on behalf of the promoter
 - tickets must not be sold to children under 16 years of age
 - no advertisement may be displayed or distributed except on the business premises nor may it be 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 from one lottery to another are permitted.

Each ticket in a customer lottery must state:

- the name and address of the promoter of the lottery
- the people 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.

6.3 Customer lotteries cannot be conducted on a vessel (see paragraph 5.4 for the definition of a vessel under the Act.)

7 Premises licences and lotteries

7.1 Under section 167 of the Act, the Secretary of State and Scottish Ministers have made regulations setting mandatory and default conditions that are attached to gambling premises licences². These include a mandatory condition that specifies premises licensed for gambling may not be used for the sale of tickets in a private society lottery, work lottery or a customer lottery. For example, a casino operator holding a premises licence will not be permitted to hold a work lottery for its staff on those premises. It also specifies that National Lottery products may not be sold on such premises.

8 Proceeds and profits

8.1 Section 254 of the Act clarifies what is meant by ‘proceeds’ and ‘profits’ of a lottery.

8.2 ‘Proceeds’ are the total amount paid for tickets before any deductions.

8.3 ‘Profits’ are the amount of proceeds less any deductions for prizes, rollovers, and reasonable expenses incurred in connection with running the lottery.

9 Misusing profits of lotteries

9.1 Incidental non-commercial lotteries and private society lotteries can all be used to raise funds (profit) for a non-commercial society (whether that society is a charity or a club). Under section 261 of the Act it is an offence to use or permit profits from these types of lottery to be used for any purpose other than the purposes for which the lottery was permitted or promoted.

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Keeping gambling fair and safe for all

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² Gambling Act 2005 (Mandatory and Default Conditions) (England and Wales) Regulations 2007 (SI 2007/1409) and Gambling Act 2005 (Mandatory and Default Conditions) (Scotland) Regulations 2007 (SSI 2007/266)