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Public statement

Double Diamond Gaming Limited Public statement

Published:

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Key failings

Anti-Money Laundering:

- Licence condition 12.1.1

Safer Gambling:

- Social Responsibility code provision 3.4.1
- Social responsibility code provision 3.5.1

Operators are expected to consider the issues here and review their own practices to identify and implement improvements in respect of the management of customers.

Introduction

Licensed gambling operators have a legal duty to ensure that their gambling facilities are being provided in compliance with The Gambling Act 2005 (the Act), the conditions of their licence and in accordance with the licensing objectives, namely to:

- prevent gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime
- ensure that gambling is conducted in a fair and open way
- protect children and other vulnerable people from being harmed or exploited by gambling.

Executive summary

This case concerns Double Diamond Gaming Limited (Double Diamond) which holds a non-remote casino 1968 Act operating licence and an ancillary remote casino operating licence.

The Commission investigated Double Diamond's handling of 35 customers following concerns identified at compliance assessments of its four premises in July and August 2019.

Our investigation identified failings in the way Double Diamond identified and managed customers who were at higher risk of money laundering and gambling related harm. These failings stemmed from inadequate anti-money laundering (AML) policies and procedures and the ineffective implementation of safer gambling policies and procedures.

On 24 October 2019, the Commission gave notice to Double Diamond that we were commencing a review of its operating licence. That review revealed Double Diamond had breached a number of conditions of its operating licence.

Double Diamond cooperated with our enquiries throughout the course of our investigation and has accepted its policies and procedures in respect of AML and safer gambling were not appropriate or implemented effectively. It has accepted that it failed to act in accordance with conditions of its operating licence between January 2017 and August 2019.

In line with our Statement of principles for licensing and regulation, Double Diamond will pay a payment in lieu of a financial penalty of £247,000. It will also pay Commission costs of £24,530.81.

Findings

Failure to identify customers at risk of gambling related harm

Social responsibility code provision 3.4.1

Social responsibility code 3.4.1 states that ‘Licensees must put into effect policies and procedures for customer interaction where they have concerns that a customer’s behaviour may indicate problem gambling. The policies must include...

(e) specific provision for making use of all relevant sources of information to ensure effective decision making, and to guide and deliver effective customer interactions, including in particular:

i. provision to identify at risk customers who may not be displaying obvious signs of, or overt behaviour associated with, problem gambling: this should be by reference to indicators such as time or money spent.

ii. specific provision in relation to customers designated by the licensee as ‘high value’, ‘VIP’ or equivalent...

Our investigation identified weaknesses in Double Diamond’s safer gambling controls and found it had failed to put into effect policies and procedures for customer interaction with specific provision for making use of all relevant sources of information to ensure effective decision making and to guide effective customer interactions, contrary to SRCP 3.4.1 paragraph 1. e(i).

For example, Customer A incurred losses of circa £46,000, with the majority of this occurring in the last three months before they were suspended by Double Diamond in June 2019 for failing to provide proof of funds documentation. In February 2018, Double Diamond identified this customer had increased their visits and conducted a customer interaction. The customer advised at that time this was due to them working locally and that if they were struggling, they would let Double Diamond know.

Although Double Diamond maintains that responsible gambling advice was included in all customer interactions when deemed necessary, there was no record on the account of the customer having been provided with any responsible gambling information or advice. In March 2019, Double Diamond interacted with the customer about their debit limits at the cash desk and the customer stated that they had no gambling issues. Other customer interactions were recorded but they related to debit limits at the cash desk.

Social responsibility code provision 3.5.1

SRCP 3.5.1(1) requires: “Licensees must have and put into effect procedures for self - exclusion and take all reasonable steps to refuse service or to otherwise prevent an individual who has entered a self-exclusion agreement from participating in gambling.”

Double Diamond has accepted that it breached this condition on 13 August 2019., Although it had procedures in place intended to ensure adherence to SRCP 3.5.1,

due to an oversight by one of its employees a customer was allowed to enter and gamble at one of its premises after self-excluding.

Failure to have appropriate AML controls

Licence condition 12.1.1 relates to the Prevention of Money Laundering and Terrorist Financing

Licence condition 12.1.1(2) requires that:

Following completion of and having regard to the risk assessment, and any review of the assessment, licensees must ensure they have appropriate policies, procedures and controls to prevent money laundering and terrorist financing.

Licence condition 12.1.1(3) requires that:

Licensees must ensure that such policies, procedures and controls are implemented effectively, kept under review, revised appropriately to ensure that they remain effective, and take into account any applicable learning or guidelines published by the Commission from time to time. Double Diamond has accepted that it was in breach of this licence condition as some of the customer accounts evidenced weaknesses and shortcomings both in relation to the maintenance of its AML policies, procedures controls and in their implementation. During the investigation we identified Double Diamond had failed in some instances to undertake sufficient checks to verify the underlying source of customer funds. It also failed to adequately record its rationale and decision-making.

Examples of AML failings are:

- Customer B registered in 2016, had a turnover of £152,155 and incurred losses of £14,000 in a 12-month period ending March 2019. In August 2017, the customer was requested to provide information to verify their source of funds, which they failed to provide and were permitted to visit the casino and gamble on a further 90 occasions. In April 2018, Double Diamond made a further request for the customer to provide the information and advised failure to do so would result in suspension. In May 2018, following a further three visits, the customer provided a bank statement and open-source checks undertaken by Double Diamond suggested the customer was a director of a limited company. Further source of funds information was requested, however, at the time of the assessment this had not been provided and the customer had not been suspended.
- Customer C registered in 2015 and was an international student whose turnover was £165,000 and losses were £30,000 over four years. The customer provided bank statements in 2016, 2017 and 2018 showing payments from a company to verify their source of funds, which they stated were payments from their parents. Double Diamond did not undertake any subsequent checks to establish if this was correct or whether there were any links between the company and the customer's parents. However, it decided to continue its business relationship with the

customer based on the incoming payments from the company. In June 2019, Double Diamond requested further information in regard to the customer's source of funds which they failed to provide. The customer was suspended in August 2019.

Action taken by the licensee

In addition to accepting these failings, Double Diamond has committed to an ongoing programme of improvements to ensure its policies, procedures and controls are appropriate and implemented effectively including, but not limited to, the following specific remedial action:

- undertaking a review of its the top active customers at each of its premises, as well as those identified by the Commission, to ensure that adequate EDD is held, that risk assessments have been completed, and that clear justification for the decisions taken is recorded
- conducting an extensive review of its AML Policy and Safer Gambling Policy and related procedures
- moving to a 'members only' policy
- appointing a Deputy MLRO
- revising its safer gambling training programme to take into account revisions to its Safer Gambling Policy and procedures.

Regulatory settlement

This regulatory settlement consists of: a. £247,000 payment in lieu of a financial penalty, which will be directed towards delivering the National Strategy to Reduce Gambling Harms

b. Agreement to the publication of a statement of the facts in relation to this case

c. Payment of £24,530.81 towards the Commission's costs of investigating the case.

In considering an appropriate resolution to this investigation, the Commission has had regard to the following aggravating and mitigating factors:

Aggravating factors

- The duration of the breaches
- The Licensee should have been aware of the breaches
- Many of the breaches were serious and had an impact on the licensing objectives
- The breaches arose in circumstances that were similar to previous cases the Commission has dealt with which resulted in the publication of lessons to be learned for the wider industry
- The need to encourage compliance among other operators.

Mitigating factors

- There was timely co-operation with the investigation undertaken by the Commission and no attempt to conceal the extent of the breaches.
- An ongoing programme of remedial action was commenced in response to the breaches being brought to the Licensee's attention.
- The Licensee has shown insight into the seriousness of the breaches.