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Public statement

# VGC Leeds Limited Public statement

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## Key failings

### Safer Gambling:

- Social Responsibility Code Provision 3.4.1

### Anti-Money Laundering:

- Licence condition 12.1.1(3)

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.

## VGC Leeds Limited Executive Summary

This case concerns VGC Leeds Limited t/a Victoria Gate Casino (VGC) which holds non-remote casino and ancillary remote casino operating licences.

The Commission investigated VGC's handling of 10 customers following concerns identified at a compliance assessment in July 2019.

Our investigation identified failings in the way VGC identified and managed customers who were at higher risk of money laundering and gambling-related harm. These failings stemmed from VGC failing to effectively implement its anti-money laundering (AML) and safer gambling policies and procedures.

On 24 October 2019, we gave VGC notice that we were commencing a review of its operating licence. That review revealed VGC had breached conditions of its operating licence.

VGC cooperated with our enquiries throughout the course of our investigation and has accepted that the implementation of its policies and procedures in respect of AML and safer gambling were not effective. It has accepted that it failed to act in accordance with conditions of its operating licence between January 2017 and July 2019.

In line with our Statement of principles for licensing and regulation, VGC will pay £241,000 to represent divestment of the amount of financial gain accrued as a result of the accepted failings, and £209,000 in lieu of a financial penalty. It will also pay Commission costs of £21,578.17.

## VGC Leeds Limited Findings

### Failure to identify customers at

## risk of gambling related harm

### Social responsibility code provision (SRCP)

#### 3.4.1

Social responsibility code 3.4.1 stated (at the time it was in place) 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.

Our investigation identified weaknesses in VGC’s safer gambling controls and found it had failed to effectively implement its policies and procedures for customer interaction. Furthermore, VGC failed to make 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).

### Examples of social responsibility failings include:

- Customer A incurred losses of £275,000 over 22 months before the licensee requested source of funds evidence. When source of funds information was finally sought the operator relied on a tax account which it considered supported income of £217,391 – clearly this figure did not support the affordability of the customer’s losses. To establish source of wealth the operator also relied on the

customer being the main shareholder for a dormant company and the fact that the customer's firm had undertaken construction work at its premises. Furthermore, although regular interactions took place with the customer the Licensee accepts it failed to record these interactions and its rationale for decisions on the customer's profile as required by its own policy.

- Customer B incurred total losses of £93,294 over 16 months on their account since registering in February 2017. Numerous 'no concern' interactions were recorded on the customer's profile however, no rationale was recorded as to why the interaction was undertaken. This was despite VGC's own customer interaction policy stating 'any interaction must be recorded on a Customer Interaction record and retained... Where subsequent customer interactions take place with the same individual, these must also be fully recorded.'

## **Failure to implement effective AML controls**

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

Licence condition 12.1.1(3) requires:

- 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.

VGC has accepted weaknesses and shortcomings in the relation to the implementation of some of its procedures and controls.

During the investigation we identified VGC had failed to undertake sufficient checks to verify the underlying source of the customer funds in some instances.

### **Examples of AML failings include:**

- Customer A incurred losses of £275,000 over 22 months before the licensee requested source of funds evidence. When source of funds information was finally sought the operator relied on a tax account which it considered supported income of £217,391 – clearly this figure did not support the affordability of the customer’s losses. To establish source of wealth the operator also relied on the customer being the main shareholder for a dormant company and the fact that the customer’s firm had undertaken construction work at its premises.
- Customer B incurred total losses of £93,294 on their account since registering in February 2017. VGC requested the customer provide proof of SoF in March 2018, within seven days. The customer did not submit copies of bank statements until seven weeks later but was permitted to continue to gamble at VGC’s premises throughout that period. Although the bank statements showed a substantial balance, and regular payments into the account, the origin of the funds were not verified. In addition, the customer had experienced a number of wins and was believed to have used these funds to gamble. However, it was not clear whether the customer had withdrawn these funds and removed them from VGC’s premises. The customer was spoken to eight months later with regard to an annual review and they advised the Licensee they would submit the required documents. However, the customer visited VGC’s premises again a week later but did not provide the documentation. It is not clear from the customer profile if, or when, the documents were submitted.

## VGC Leeds Limited Action taken by the Licensee

In addition to accepting these failings, VGC has committed to an ongoing programme of improvements to ensure the implementation of its policies, procedures and controls are effective including, but not limited to, the following specific remedial action:

- carried out a full review of the process for collation, review and sign-off of customer profiles, with the objective of creating a holistic summary of due diligence information and affordability
- carried out a review of all customers previously Enhanced Due Diligence-approved or in the EDD process, using its updated approach to EDD
- carried out a detailed gap analysis to assess the areas of its policies and procedures that required improvement, including its AML policies and procedures. It then updated these policies and procedures in the areas of weakness identified
- refined its recycled winnings process in order to ensure that its acceptance of recycled funds as source of funds or source of wealth is documented and justified
- updated and implemented a new version of its Social Responsibility policy. This policy includes improved capability in identifying potential indicators of risk via additional training and analytical tools, and a requirement for more detailed and structured recording of customer interactions
- developed a relationship with NHS Northern Gambling Clinic which it expects, over time, to improve the awareness and skill set of staff and management in interacting with customers exhibiting problem gambling indicators
- introduced new reports to identify customers who are spending more than they can afford or exhibiting changes in their level of play or frequency of visits
- improved its record keeping practices to include a

stronger focus on the quality of narrative recording of customer interactions and the recording of overall rationale for decisions made.

## **VGC Leeds Limited Regulatory settlement**

This regulatory settlement consists of:

- £241,000 to represent divestment of the amount of financial gain accrued as a result of the accepted failings, which will be directed towards delivering the National Strategy to Reduce Gambling Harms
- £209,000 payment in lieu of a financial penalty, which will be directed towards delivering the National Strategy to Reduce Gambling Harms
- agreement to the publication of a statement of the facts in relation to this case
- payment of £21,578.17 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 Licensee should have been aware of the breaches
- 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 bbeing brought to VGC's attention
- VGC has shown insight into the seriousness of the breaches.