



An Unregulated Gamble

Prize Draws and Charity Lotteries – in search of a level regulatory playing field

March 2025



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Foreword from the Lotteries Council

Among the most likeable attributes of the British public – as well as their incredible generosity to charities – is their attachment to fairness. The public believes that people and organisations should be treated fairly and equitably, as does the Lotteries Council.

Fairness is the essence of our concern behind the present and growing inequality that exists between the society lottery sector (now commonly referred to as the charity lottery sector) and the emergence over the last half-decade of large-scale, million-pound prize draws.

Despite being widely recognised as low-risk, and existing for charitable rather than commercial purposes, charity lotteries are mired in regulation by virtue of being regulated by the Gambling Act. Meanwhile, the million-pound prize draw sector that has sprouted in Britain since the turn of the decade exists to make commercial profit while returning modest levels to charitable causes – all while offering the consumer an unregulated gambling product by virtue of providing consumers a ‘free’ route of entry via post. The sector exists entirely due to gambling legislation failing to keep pace with technological innovation.

As government has acknowledged, there is now concern that few people could tell the difference, or explain the difference, between a charity lottery and a million-pound prize draw. To the public they present as the same.

If there is a shift from society lotteries to unregulated prize draws, returns to good causes will inevitably decline. Million-pound prize draws represent the thin end of the wedge in lottery-based civil society fundraising. Consider that charity lotteries, on average, return 45% of every ticket sale to their chosen good causes. By contrast,



large commercial prize draws return to good causes (if they do so at all) at rates well below the statutory minimum required of a regulated charity lottery.

Through the Gambling White Paper, the previous Conservative government committed to consulting on the regulation of large-scale, million-pound prize draws. With Britain’s new Labour government confirming its own commitment to the White Paper reforms, we commissioned nfpResearch to undertake this analysis of the two sectors and suggest regulatory options aimed at levelling the playing field for games of chance in Britain.

Tony Vick

Chair, The Lotteries Council

Foreword from Wendy Morton MP

Charity lotteries have established themselves as a vital component of Britain's charity funding mix. They have proven to be especially resilient income streams over the past half-decade, despite wider economic challenges and a global pandemic.

However, the recent growth in Britain of large-scale commercial prize draws, largely indistinguishable from charity lotteries, represents a growing threat. Charity lotteries have always been heavily regulated to avoid challenging the monopoly status of the National Lottery, while prize draws, which historically have been seen as something different, are subject to no gambling regulation.

As this report details, the operators of such prize draws have recently started to exploit this gap in the law – along with evolving technology – to run multimillion pound draws. Such large prizes cannot be offered by charity lotteries, but prize draws are able to escape gambling regulations by offering a 'free' ticket to anyone who sends a stamped, addressed envelope requesting one. This lack of regulation enables prize draw operators to do things charity lotteries are simply not permitted to do by law – such as make commercial profit and entice players with huge, life-changing prizes that rival only those offered by the National Lottery in size.



To any reasonable observer, it is clear that the current situation is totally unsustainable on grounds of basic fairness - not to mention consumer protection and long-term charitable return. In this regard, it is encouraging that the previous government committed to consulting on prize draw regulation and that the current government has indicated its intention to continue this vital work.

I am pleased that the Lotteries Council has partnered with nfpResearch on this publication, which will add significantly to the existing evidence base in key areas such as public attitudes, the views of the charity lottery sector and potential regulatory solutions which will benefit all those involved – mostly importantly those charities who benefit directly from prize-led fundraising.

Wendy Morton MP

Member of Parliament for Aldridge Brownhills

Introduction

Charity lotteries¹ have existed since the 1960s with the sole purpose of raising funds for good causes which exist to benefit society. While prize draw competitions have existed for some time, the recent advent of large-scale, million-pound prize draws in Britain has upended the lottery landscape which previously dictated that million-pound prizes be the sole preserve of the National Lottery. Characterised by commercial profit, low levels of charitable return or sometimes an absence of information around charity beneficiaries, there is growing concern in Parliament and the charity lottery sector around diminishing charitable return and unfair competition for lottery fundraising.

This report looks at this landscape and sets out the regulatory framework, presents the public's views and suggests some options for policy change.

The structure of the report is as follows:

- **Part 1** looks at the current status and regulation of charity lotteries and prize draws explaining the major players and the regulatory regime and issues.
- **Part 2** sets out the regulatory differences between charity lotteries and prize draws in detail.
- **Part 3** explores public attitudes towards, and engagement with, games of chance that raise money for good causes.
- **Part 4** documents the current status and issues as seen by charities and organisations who run and raise money from charity lotteries.
- **Part 5** highlights some potential options for creating a level playing field for games of chance that raise money for good causes.
- **The conclusion** does some future gazing, should no changes be made to address the current regulatory imbalance.

¹ Known in legislation as society lotteries but now commonly referred to as charity lotteries.

Part 1: The rules and regulation of Prize Draws and Lotteries

The World of Charity Lotteries

The Charity Lottery² sector in Great Britain has existed since the 1960s. By definition, such lotteries can only be run to raise money for good causes – not to generate commercial profit. Initially provided for in law by the Betting, Gaming and Lotteries Act 1963³, such lotteries were permitted on the basis that they exist to fulfil the purpose of society, which should be:

- charitable
- supportive of sports, games, or cultural activities
- or any other purpose that is not for private or commercial gain

Currently regulated by the 2005 Gambling Act⁴, the sector has grown considerably over the decades. Characterised by high levels of charitable return, charity lotteries now raise over £460 million for supported causes annually⁵.

The sector attributes its growth to increased charitable need and also to the emergence of External Lottery Managers (ELMs) in the early to mid-2000s. ELMs allow fundraising at a far greater scale and see draws held by different charities promoted under a single brand, or multiple lottery licences, for the same charity. ELMs also cross-fertilise expertise and best practice.

Each lottery is licensed individually by the Gambling Commission and must be organised and promoted in such a way as to ensure that each individual ‘society’ remains a separate, distinct entity, subject to sales and prize limits⁶.

The regulatory burden of Charity Lotteries

Charity lotteries remain subject to heavy regulation. Despite their widely recognised low-risk profile in terms of problem gambling, and purpose in raising funds for good causes, there is no other part of the charity sector that is so heavily constrained by regulation. Charity lotteries are subject to a burden of regulation that no commercial business sector would be able to tolerate, let alone thrive under.

² Legally known as society lotteries, but more popularly known as charity lotteries. We are capitalizing charity lotteries and prize draws in headings only from here onwards.

³ <https://www.legislation.gov.uk/ukpga/1963/2/contents>

⁴ <https://www.legislation.gov.uk/ukpga/2005/19/contents>

⁵ <https://www.gamblingcommission.gov.uk/statistics-and-research/publication/industry-statistics-november-2024-official-statistics>

⁶ <https://www.gamblingcommission.gov.uk/licensees-and-businesses/guide/page/external-lottery-managers-elms>

Many charity lottery regulations exist, from the historical perspective of government, in order to maintain the monopoly of the much larger National Lottery, which is enshrined in law. However, in many cases the justification for the continuation of such a burden is hard to find, given that both sectors have co-existed since the National Lottery's launch in the mid-1990s and that government is on record as wishing both lottery types to 'thrive'. Both have seen great success, in tandem, over the last 30 years⁷.

Charity lotteries are limited to sales per licence of no more than £50 million per year, with a theoretical top prize of £500,000. In practice, no operator has offered such a prize due to the existence of the archaic '10% rule' which stipulates that the top prize can be no more than 10% of the final value of tickets in any one draw, an amount that cannot be confirmed until a draw has closed. A statutory minimum of 20% of ticket sales must also go to the nominated good cause.

Moreover, as a regulated gambling product, the sector is subject to strict social responsibility requirements to protect vulnerable individuals, as well as a number of restrictions on their advertising⁸.

Box 1: Charity Lotteries and the National Lottery

Despite the consistent growth and evolution of Britain's charity lottery sector into a significant part of the country's fundraising mix, the sector remains just a ninth of the size of the National Lottery, which is provided for in legislation by its own Act of Parliament.

With its 'life-changing' jackpots and promises of support for a wide variety of good causes, the National Lottery was launched in November 1994. This followed a decision by Parliament that "a single National Lottery, operated as a monopoly, would be the most effective way of raising funds for a wide range of good causes on a national scale"⁹.

Since then, policymakers have sought to retain a clear distinction between the National Lottery and charity lotteries, not least as a result of the heavy regulation of charity lotteries and through maintaining the National Lottery's supposed unique ability to offer multimillion pound 'life-changing' prizes¹⁰.

⁷ https://lotteriescouncil.org.uk/wp-content/uploads/2021/04/Hitting_the_Jackpot_National_Lottery_and_Charity_Lotteries_April_2021.pdf

⁸ <https://www.gamblingcommission.gov.uk/licensees-and-businesses/lccp/condition/4-3-3-lotteries-information-to-consumers#:~:text=Social%20responsibility%20code&text=Licensees%20must%20ensure%20that%20clear.to%20participating%20in%20a%20lottery.>

⁹ Gambling Commission (2017), 'Review of Charity Lotteries advice'. October 2017

¹⁰ https://assets.publishing.service.gov.uk/media/5b352f1ee5274a0babd5686b/society_lotteries_consultation_june_2018_pdf.pdf

However, this long-held distinction has been up-ended by the emergence of commercially operated million-pound prize draws, the model of which is based on multimillion pound properties, rather than a large cash prize.

Often cited as the key differentiator between the two lottery types, the need for distinction is still at times used by government as a basis for the more stringent regulatory framework of charity lotteries that continues to restrict the charity lottery sector's fundraising in many ways.

However, this approach is no longer supported by evidence. Some 30 years on from the National Lottery's creation, impartial industry statistics¹¹ make clear that both sectors can and do exist in tandem with sales and return to good causes for each lottery type having reached record levels.

The charity lottery sector in recent times has proven itself increasingly confident at highlighting the distinct nature of their offering, which provides vital unrestricted, multiyear core funding for many charities and voluntary organisations. This is in contrast to the National Lottery distribution bodies and their project-based offering¹².

The regulation and status of Prize Draws

The regulatory advice around prize draws is confusing. The Gambling Commission refers to 'free draws'¹³ of which there are two types:

- the first type is where all entries are free
- the second type has both a paid and a free entry route

Like lotteries, in prize draws one or more prizes are awarded by chance. However, the key difference is that a 'free' route of entry must be offered and, when it is, such competitions fall outside of regulation under the 2005 Gambling Act [see Box 2].

It is the second type of draw which generates concern amongst both government and charity lottery operators, specifically due to the recent emergence in the UK of large-scale draws – referred to throughout this report as million-pound prize draws or simply prize draws – which bear a striking resemblance to a regulated lottery without being subject to Britain's gambling laws.

Box 2: Gambling Act 2005 and Prize Draws

Section 14 of the Gambling Act 2005 sets out that in order to be a lottery, payment must be required to participate.

¹¹ <https://www.gamblingcommission.gov.uk/statistics-and-research/publication/industry-statistics-november-2024-official-statistics>

¹² <https://www.postcodelottery.info/media/2176/limitless-potential-the-case-for-raising-the-cap-on-charity-lottery-fundraising.pdf>

¹³ <https://www.gamblingcommission.gov.uk/public-and-players/guide/page/free-draws-and-prize-competitions>

Sub-paragraph 8(1) of Schedule 2 of the Gambling Act 2005 provides that an arrangement is not treated as requiring payment to participate if:

- each player has a choice whether to participate by paying or by sending a letter in first or second class post;
- this choice is published in a way as to be likely to come to the attention of everyone who proposes to participate; and
- the system for allocating prizes doesn't differentiate between those who participate by paying and those who participate by sending a communication.

This exemption was created during the infancy of electronic communications and has provided for the creation of the large-scale prize draw market.

The effect in law arising from a 'free' route of entry alongside a paid for route is shown in Box 3 below which sets out some of the main regulatory differences between prize draws and lotteries, with further detail on this in the next section.

Box 3: Regulation of Charity Lotteries vs Prize Draws	
Regulated Charity Lotteries	Unregulated Prize Draws
Licensed and regulated by the Gambling Commission	No licensing or regulation whatsoever
Limits on individual draw sales, annual sales, and prize values	No limit on either sales or prize values
A minimum of 20% of turnover must be donated to charity (the sector averages 45%)	No requirement at all to donate to charity, and with no regulator any claims of charitable commitment are unchecked
Must be non-commercial and specifically not for private gain	Permissible for entirely private gain
Credit cards are not permitted	Can use credit cards to purchase tickets
Social responsibility codes apply to protect vulnerable players	No protection for vulnerable players
Stricter rules apply for advertising lotteries	Only normal advertising rules apply

Million-Pound Prize Draws

The best-known operator of such competitions is the company Omaze. Known for offering multimillion pound homes as a prize, the company began trading in the UK in 2020, having previously been founded in the United States. Since then, a myriad of competitors have emerged based upon the same model, such as the British-based Raffle House.

How do Million-Pound Prize Draws work in practice?

Taking the leading prize draw operator as example, Omaze typically offers consumers a 'single purchase' offer of 15 draw entries for £10 via their website. 15 entries through the 'free' communication route costs more, at £12.75 in second class stamps. Larger 'single purchase' offers via their website typically offer 320 entries for £150 versus £272 in second class stamp costs for the same number of entries via the 'free' communication route.

The figures in relation to their typical monthly subscription offers are even starker – 60 entries costs £10 a month, or 640 entries costs £50 a month. The cost of 60 entries through the 'free' postal communication route would be £51 in second class stamps, while 640 entries would cost some £544 in second class stamps.

In each of these situations the 'free' postal communication route costs more than the alternative paid-for route, a pattern also evident in the similar offering provided by Raffle House. The lack of regulation of prize draws means operators are not required to publish the number of entries they actually receive through the 'free' postal route as opposed to paid for routes.

Given the relative ease of online entry and higher costs of playing by post, the percentage of entries through the 'free' postal route seems likely to be extremely small and hard to justify as a means by which such draws escape regulation.

Returns for Charities and Good Causes

Omaze have partnered with a small group of well-known British charities since inception. In recent times they have increased their voluntary contribution to their named beneficiary charity from 14% of net profits to 17% of gross sales¹⁴. While it is not possible to link definitively, this change occurred once the spectre of government regulation advanced, following publication of the Gambling White Paper¹⁵ in April 2023. Other prominent prize draw operators, such as Raffle House, offer just 10% of net proceeds to a charity of a player's choice.

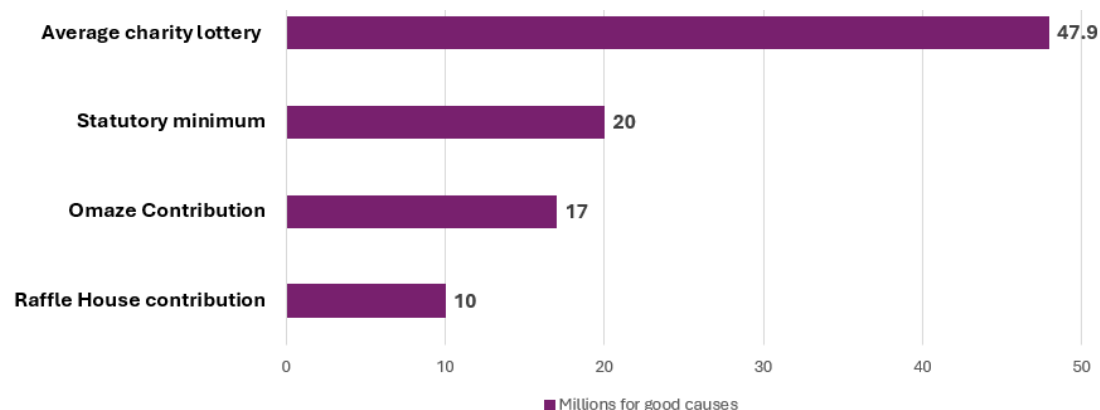
While superficially attractive to charities against a backdrop of falling charitable giving in Britain, the percentage returned to any nominated good cause is significantly lower in percentage terms than that returned by a regulated charity lottery. As noted, charity lotteries are legally required to give a minimum 20% of ticket sales to good causes, however the average across the sector is around 45%.

Based upon the current size and charitable return of the regulated charity lottery sector, Box 4 below models how funds returned to good causes would sharply decline were the regulated charity lottery sector to return funds to good causes at the current statutory minimum or at a level equivalent to prize draw operators Omaze and Raffle House.

¹⁴ <https://omaze.co.uk/blogs/news/we-re-giving-more-than-ever-before>

¹⁵ <https://www.gov.uk/government/publications/high-stakes-gambling-reform-for-the-digital-age>

Box 4: Contribution to good causes out of £100 million of revenue



Existing calls for regulation of Million-Pound Prize Draws

The existence of prize competitions has not previously given rise to concern from policy makers or the charity lottery sector. The issue centres around the recent development within the last 5 years of large scale, million-pound prize draws, with concerns focusing on issues such as fairness to the charity lottery sector, consumer protection, gambling harm and long-term reduction of return to good causes.

In its 'Fourth Report - What next for the National Lottery?'¹⁶ published in 2022, the UK Parliament's Digital, Culture, Media, and Sport Select Committee called for such draws to be regulated in the same manner as the charity lottery sector. The Committee stated unequivocally that as part of their Inquiry "evidence emerged suggesting that prize draws may harm the charitable giving of the National Lottery and society lotteries, with regulation required to ensure that this does not happen".

Subsequent to this Select Committee report – the first evidence of its kind on the issue of million-pound prize draws – the UK Government announced plans to consult on the need to regulate the very type of draws discussed in this report.

As part of its long-awaited White Paper on gambling reform, 'High stakes: gambling reform in a digital age'¹⁷, government states that:

"Prize draws and competitions have been able to grow significantly and advertise widely in the digital age. These competitions, unlike lotteries, are not regulated. This is because they offer a free entry route (for instance via ordinary post) or have a skill-based element. We propose to explore the potential for regulating the largest competitions of this type to introduce appropriate controls around player protection and, where applicable, returns to good causes, and to improve transparency."

The next section looks at those regulatory differences in more detail.

¹⁶ <https://committees.parliament.uk/work/1430/what-next-for-the-national-lottery/publications/>

¹⁷ <https://www.gov.uk/government/publications/high-stakes-gambling-reform-for-the-digital-age/high-stakes-gambling-reform-for-the-digital-age>

Part 2: Twelve regulatory differences between Charity Lotteries and Prize Draws

The previous section highlights the degree to which charity lotteries are treated as a highly regulated gambling product, while million-pound prize draws have exploited digital advancement and a legislative loophole to escape such regulation. What does that mean in practice? This section sets out 12 differences between charity lotteries and million-pound prize draws, showing the greater freedom that these prize draws have in a whole range of areas. Some of these differences are also summarised in Box 3 in the previous section.

1. Charity Lotteries have to contribute a statutory minimum of 20% of ticket sales to good causes. Prize Draws have no such obligation.

Every charity lottery must contribute at least 20% of every ticket sold to a good cause. In other words, once prizes, marketing, distribution, and management are accounted for there still needs to be 20% of sales available as surplus to go to the good cause. This rule is not an average over the year, it is for every ticket sold, in every draw, from the very first draw, mandated in law.

For comparison, imagine if there was an equivalent business regulation that required new companies to have to make a 20% profit from their very first activity. While not-for-profit charity lotteries are subject to such a requirement, commercial prize draws, by their very nature, are not subject to any minimum return in law. Although large operators such as Omaze underwrite their charitable commitment, it is both voluntary and far less onerous than the restrictions that charity lotteries face.

2. Charity Lotteries have to declare their revenue, expenses, and charitable return information annually. Prize Draws do not.

All charity lotteries must submit their accounts of income, expenditure, and charitable return to the Gambling Commission as official regulator. This is to make sure that the lotteries are adhering to the requirements of their gambling licence(s). It is also fundamental to providing transparency to consumers and charitable beneficiaries alike.

There is no equivalent requirement for million-pound prize draw operators though, who are typically only required to file commercial accounts with Companies House. The imbalance is that lotteries must report to the Gambling Commission annually

on how their proceeds are allocated - covering prizes, expenses, and good causes - and must also publish the percentage of proceeds given to good causes each year. Prize draws have no such obligations.

3. Charity Lotteries have a legal duty to protect vulnerable players. Prize Draws do not.

While widely recognised for their low risk profile, gambling licence requirements ensure that charity lotteries, rightly, have a requirement to protect vulnerable players and offer a variety of player protections as required through the Gambling Commission's Licence Conditions and Codes of Practice (LCCP) for lotteries. Moreover, charity lotteries contribute to funding problem gambling initiatives via GambleAware. Prize draws have no legal duty to protect vulnerable players.

4. One ticket, one chance for Charity Lotteries. Prize Draws can discount and bundle tickets for commercial gain.

Charity lotteries must be very strict about accounting for every ticket sold, ensuring that each ticket has an equal chance to win. If somebody buys 1 ticket or 100 tickets their chance of winning is in proportion to the number of tickets they buy, and the cost of each ticket is the same. The regulatory impact of this 'equal chance to win' is that charity lotteries are not allowed to offer discounts on tickets, bundle tickets in 'buy one, get one free' type arrangements or any similar promotions.

Prize draws are not subject to any such constraint. They can reduce ticket prices if sales are slow, they can offer additional tickets as an incentive to buy more and generally use pricing as a commercial sales tool.

5. Charity Lotteries are provided for in law by the 2005 Gambling Act and are regulated by the Gambling Commission. Prize Draws offer consumers an unregulated gambling product.

Charity lotteries are included in the same legislation as the commercial gaming and betting industry, meaning they are also subject to licencing and regulation undertaken by the Gambling Commission. By means of offering a free route of entry via post, prize draws can operate without being subject to gambling laws. While some operators register themselves with bodies such as the Chartered Institute of Fundraising and the Fundraising Regulator, this is entirely voluntary and has raised concerns of 'charity washing' amongst those in the heavily regulated charity lottery sector.

6. Charity Lotteries cannot offer life-changing prizes. Prize Draws can and do.

The National Lottery has long been differentiated by its unique offer of 'life-changing' prizes, with jackpots into the tens of millions of pounds. By contrast, the charity lottery sector has a theoretical top prize of £500,000. However, the aforementioned 'ten percent rule' means that, in practice, no operator has been able to offer such a prize for fear of breaching their licence conditions.

Yet leading million-pound prize draw operators such as Omaze and Raffle House are predicated on offering multimillion pound prizes, typically a luxury home. Their lack of regulation means they are free to do so.

7. The draw size for Charity Lotteries is limited to £5 million. Prize Draws have no such limit.

Not only are the size of charity lottery prizes limited, but so too is the size of individual draws – limited to £5 million per draw.

Prize draws do not have any such limit per draw, nor is it known what the size of, for example, a typical Omaze draw is, as they are not required to publish their results in the manner charity lotteries do.

8. Each Charity Lottery licence has an annual turnover limit of £50 million. Prize Draws have no licence and no turnover limit.

Each charity lottery licence has a turnover limit of £50 million annually. If an organisation wants to have a bigger lottery income it needs to take out multiple licences. This cap on turnover is designed to stop charity lotteries competing with the National Lottery (although the National Lottery is over 150 times bigger than the £50 million cap).

Prize draws have no such limit for their annual turnover, nor do they need to have a licence to operate from the Gambling Commission.

9. Charity Lotteries have to worry about remote vs non-remote marketing. Prize Draws do not.

Deep in the regulatory weeds is a division of gambling into two types – remote and non-remote. Remote is defined as the internet, telephone, TV, radio, and such, whereas non-remote is face to face, bingo halls, racecourses, and the like. Remote gambling requires a special licence to be held. While many of those organisations who run charity lotteries do recruit subscribers face-to-face, the use of tablets, emails or QR codes in this process means it is defined as remote. Charity lottery operators therefore must apply for a special licence, have their software audited and generally get involved in additional time, money and hassle. Prize Draw operators have no such constraints.

10. Charity Lotteries are set to be captured by the Statutory Gambling Levy. Prize Draws will not be.

Due to the fact they are regulated by the 2005 Gambling Act, the low-risk, not-for-profit charity lottery sector is set to be captured within the government's statutory gambling levy to fund education, research and treatment designed to make the higher-risk commercial gaming and betting industry contribute to the issue of problem gambling. Given the charitable purpose of the sector, the levy is set to deprive good causes of around £500,000 per year in funding on account of the increased costs for operators generated by the levy. A 'charity tax' in all but name.

By contrast, million-pound prize draw operators are under no such obligation and will not be captured within the framework of the government's proposed statutory gambling levy.

11. Charity Lottery players cannot use credit cards. Prize draw players can.

Charity lottery operators, alongside other operators regulated by the 2005 Gambling Act, are no longer permitted to offer sales by credit card. It is a regulation designed to stop vulnerable people gambling on credit cards and using money that they may not have. Prize Draws have no such constraints and could accept such payments as they wish.

12. Charity Lottery sales are subject to age restrictions. Prize Draws are not.

By law, charity lottery tickets should not be sold to players under 16 years of age, with the government's intention to increase age of play in legislation to over 18s. Despite it not yet being the law, charity lottery operators voluntarily increased their age of play to aged 18 in 2021 reflecting the sector's commitment to social responsibility. Prize draw operators have no such constraints.

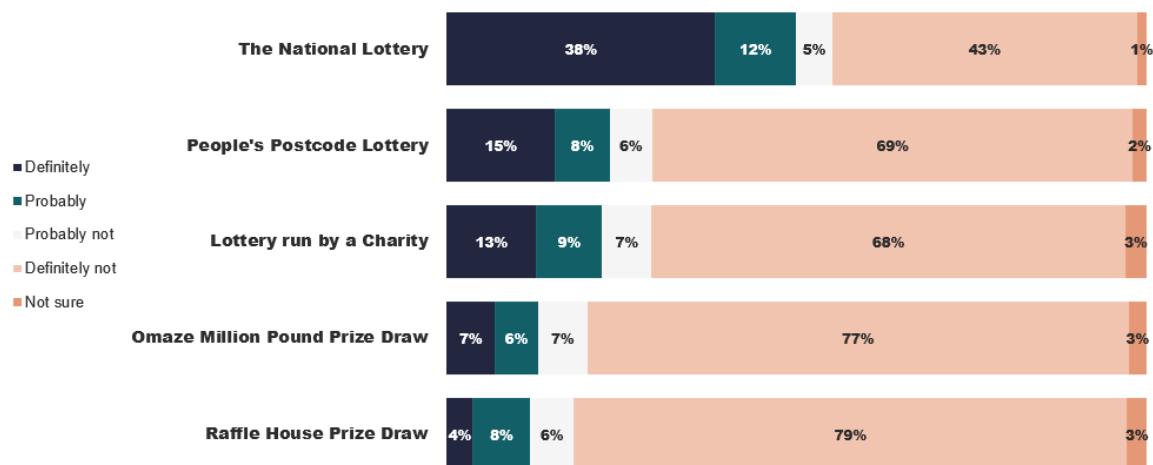
Part 3: The public understanding of Charity Lotteries and Prize Draws

As part of this report we polled a sample of 1000 UK adults, nationally representative of the UK public, about their attitude, understanding and engagement with games of chance that raise money for good causes. This research was conducted in April 2024 using nfpResearch's public research, with our findings detailed below.

The public play games of chance for good causes in large numbers.

The public like to play games of chance that benefit good causes. Chart 1 shows the frequency of which people play the different games. Nearly 4 in 10 (38%) say they have definitely played the National Lottery in the last month, with 15% playing People's Postcode Lottery, 13% a charity lottery, and 7% Omaze¹⁸. The demographics of who plays is interesting with over 45s most likely to play the National Lottery and least likely to play the other games of chance. For example, 61% of 45-54 year olds say they have definitely or probably played the National lottery in the last month, but only 17% of the same age group say so for People's Postcode Lottery.

Chart 1: Levels of participation in games of chance in the past month



"In the past month, have you played any of the following games of chance?"

Source: nfpPublic UK, April 2024 | Base: 1014 respondents 16+, UK

The under 35s tend to play the non-National Lottery games of chance proportionately more. So whilst half (50%) of all people have probably or definitely played the National Lottery in the last month, just 32% of 16-24 year olds have done so. In contrast, 22% of people overall have definitely or probably played a lottery run by a charity in the last

¹⁸ We used People's Postcode Lottery as a comparator to Omaze so that respondents were able to compare two well-known brands, one a charity lottery brand and the other prize draw

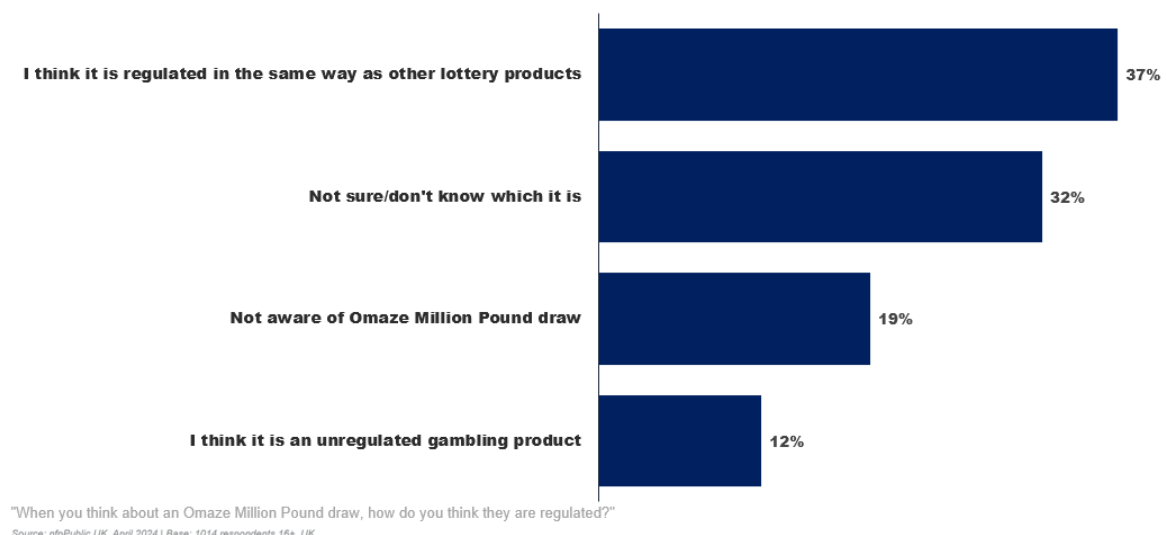
month but 29% of 25-34 year olds say they have done so, and 24% of 16-24 year olds. The figures for People's Postcode Lottery and Omaze are disproportionately higher for the under 35s as well.

The public are largely unaware that Prize Draws/Omaze are unregulated gambling products.

At the heart of this report is the difference in regulation between charity lotteries and Omaze-style prize draws. We wanted to assess whether the public understood the difference in regulation between lotteries and prize draws by asking how they thought Omaze was regulated [see Chart 2].

Only 1 in 10 (12%) understand that it is an unregulated gambling product. More than three times as many (37%) thought Omaze was regulated in the same way as lotteries and a third (32%) were not sure. Indeed, if you include the 'don't knows' then nearly 6 times as many people (69%) are either unsure, or wrong, about the regulatory nature of prize draws. However, playing them more themselves, younger age groups are more likely to understand that Omaze as a prize draw is an unregulated gambling product. So whilst only 12% of all respondents thought Omaze was an unregulated gambling product, 20% of 16-24 year olds thought so, and 15% of 25-34 year olds.

Chart 2: Understanding of Omaze regulation



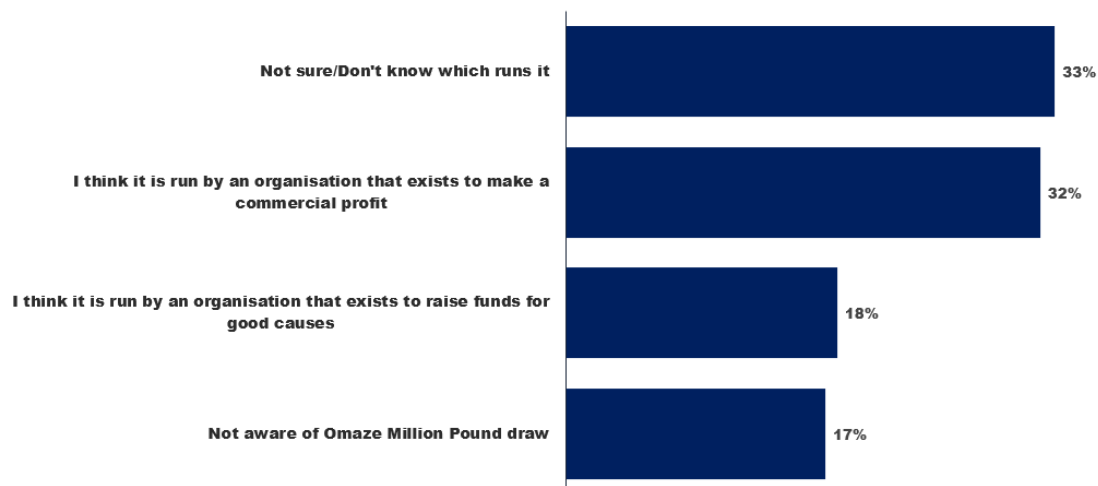
Confusion on Omaze's organisational status

It is one thing to understand that Omaze and other million-pound prize draws are an unregulated gambling product, but who do the public think is the organisation behind Omaze? More specifically, what kind of organisation do people think Omaze is – a profit-making enterprise, or a not-for-commercial-gain entity raising money for good causes?

Only a third of people (32%) realise that Omaze is ‘run by an organisation that exists to make a commercial profit’. With a similar number (33%) not sure and 18% believing it is run by ‘an organisation that exists to raise funds for good causes’, over half of the British public are unaware that Omaze is a profit-making enterprise.

Again younger people are more tuned into the nature of Omaze, with 36% of 16-24 year olds, and 38% of 25-34 year olds thinking Omaze is run to make a profit.

Chart 3: Understanding of Omaze’s organisational status



"When you think about an Omaze Million Pound draw, who do you think runs it?"
Source: nfpPublic UK, April 2024 | Base: 1014 respondents 16+, UK

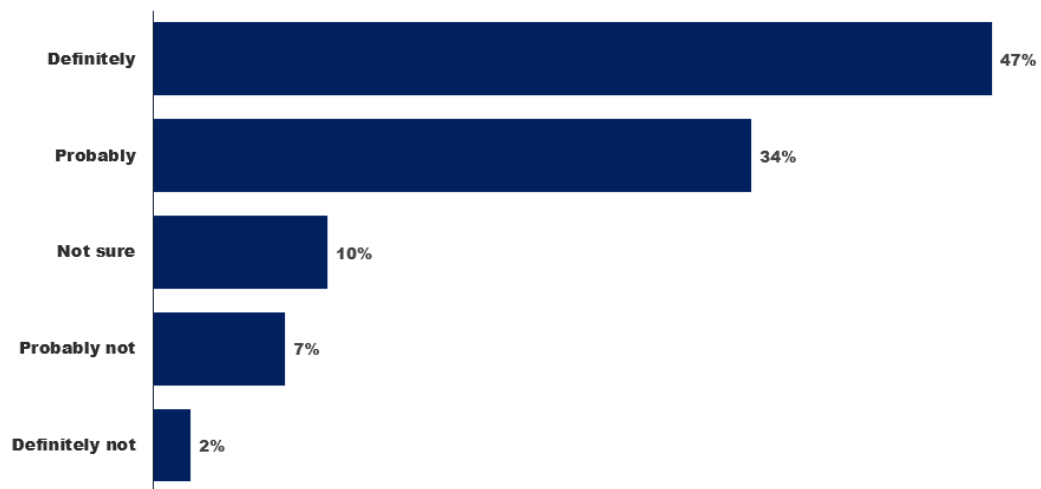
Public support for levelling the playing field

For all our questions about what people understand about prize draws and about Omaze, the most important question for policy makers may be whether people think that the current situation is equitable. We asked the public: ‘Do you think that games of chance such as the National Lottery, Charity lotteries, People’s Postcode Lottery and Omaze should all work to the same regulations/laws so as to maximise funds raised for charities and good causes?’

In other words, should there be a level playing field for those who run games of chance which raise money for good causes? The answer is a resounding ‘yes’ as Chart 4 shows – 47% said definitely and 34% said probably. Equally interesting is just 9% of people were opposed to a level playing field (7% said probably not and 2% definitely not).

The main difference by age is that younger audiences were more likely to say probably and less likely to say definitely to a level playing field with around 30% of the under 45s saying definitely, against the average of 47%. More older people said definitely – around 60% of the over 45s – to a level playing field.

Chart 4: Public levels of support for equal regulation/laws



"Do you think that games of chance such as the National Lottery, Charity lotteries, People's Postcode Lottery and Omaze should all work to the same regulations/laws so as to maximise funds raised for charities and good causes?"

Source: nfpPublic UK, April 2024 | Base: 1014 respondents 16+, UK

Part 4: Sector perspectives on Charity Lotteries and Prize Draws

As part of this report, we undertook interviews with a variety of charity lottery operators from across the sector in Britain to better understand their thoughts and concerns around the emergent million-pound prize draw sector. The interviewees are listed at the end of the report. This section highlights the key findings of our interviews.

1. Charity Lotteries are a really important source of income for many charities.

Interviewees repeatedly highlighted how important charity lotteries are for charity income. The hospice and air ambulance sectors in particular get a high percentage of their income from lotteries – in some cases more than half of their fundraised income.

The total income from charity lotteries has risen steadily over the last 20 years. In 2008/09 the contribution to good causes from charity lotteries was £95 million. By 2022/23 the contribution to good causes was £460 million¹⁹, a near five-fold increase.

Lotteries have proven to be resilient in the face of the 2008 financial crisis, austerity, the Covid pandemic, and the cost-of-living crisis. This is partly because charities have improved their marketing of lotteries, partly because we have seen a growth in games of chance and commercial gambling over the last 25 years and partly because lotteries are a way of supporting charities, with the chance that the player might also have the thrill of winning a prize in return. They create a potential win/win for player and charity.

One of the reasons that some charities are worrying about prize draws and lotteries is that so many other sources of charity fundraising, and income-generation, are under strain. Telephone fundraising has all but disappeared because of the need for consent; direct mail is an anachronism; face to face is only getting harder; and government grants to the sector are diminishing.

2. Prize Draws primarily benefit larger charities.

Under the present model of how million-pound prize draws are operated the financial beneficiaries are, in the main, a limited number of large, well-known charities alongside the owners of companies such as Omaze and Raffle House. These charities are getting a large amount of money – London Air Ambulance has received over £4 million from Omaze. Previous charity beneficiaries have included

¹⁹ <https://www.gamblingcommission.gov.uk/statistics-and-research/publication/industry-statistics-november-2024-official-statistics>

NSPCC, Great Ormond Street Hospital, and several cancer charities. They are all big 'household name' charities.

Meanwhile, charity lotteries often benefit smaller and more diverse charities. They often receive significant funding from lottery grants by the likes of People's Postcode Lottery, the Health Lottery, or even operate their own lotteries to the direct benefit of their good cause.

The potential change that many interviewees feared is not just the shift from lottery to prize draw, but from a fundraising model that currently benefits an incredible spectrum of organisations, to one in which large charities are the principal winners.

3. Charity Lotteries face increasing pressures in stark contrast to Prize Draws.

To be clear, evidence does not currently support the thesis that prize draws are yet supplanting charity lotteries in the scale of the sector's fundraising. But in the interviews, many commented how recruiting and retaining lottery players is harder than ever before. Few directly attributed this to prize draws, but more to the broader economic climate – the sluggish economy, the cost-of-living crisis, the after-effects of the pandemic, and the tightening of regulations like data protection. The fear is that the rapid rise of the likes of Omaze and the inevitable others that follow, will add further pressure on charity lotteries. It is also worth highlighting that whilst interviewees say they have struggled with player recruitment, Omaze has recruited tens, indeed probably hundreds, of thousands of players for their prize draws.

Again and again in the interviews, respondents said all they wanted was a level regulatory playing field, a playing field in which charity lotteries and prize draws had equal regulatory constraints and opportunities.

It is hard not to wonder how the future of charity lotteries might look, considering that only 5 years after Omaze's rise as a single high-profile commercial prize draw operator, the landscape has already changed significantly.

Difficulties of recruitment and retention; the threat from prize draws; the slow declines in margins; the cutting back of budgets and the introduction of the mandatory gambling levy, to summarise the suite of concerns raised by operators.

4. The public do not understand the differences between lotteries and prize draws

As demonstrated in the survey of UK adults, the public love to play games of chance that raise money for good causes. The National Lottery is the most popular, but many others are also widely played. It is reasonable that people expect that all

these types of fundraising are run and regulated in the same way. A strong theme emerged around the belief that if it looks like a lottery, behaves like a lottery, a product should be regulated as a lottery.

The reason this lack of understanding matters is that the public are motivated to play knowing that these games of chance can benefit both themselves and good causes. It is meant to be a win/win for both individual and a good cause. So when lotteries and prize draws appear to be equally good ways to achieve that win/win, but they aren't, it's a deception and a breach of trust on the public. The lack of understanding is not just incidental, it strikes at the heart of the unfairness of the current regulatory imbalance.

Part 5: Levelling the playing field – policy suggestions

Levelling the playing field – four options for regulatory realignment

A growing body of evidence from Parliament and the charity lottery sector, furthered by the contents of this research, make a compelling case around the need to regulate million-pound prize draws on the grounds of both consumer protection and safeguarding future charitable funding from games of chance.

Option 1: Stop the prize draw ‘twin track’ of ‘free’ by post and paid-for online play.

The most straightforward of options available to policy makers to address the regulatory imbalance between million-pound prize draws and the charity lottery sector would be to amend the 2005 Gambling Act to remove paragraph 8(1) of Schedule 2 of the legislation. This would remove the ‘loophole’ upon which the million-pound prize draw model currently relies on to operate by removing the pay-to-play online route as an equivalent to the postal route (see part 1 for more detail). In essence all entries would be required to be free, or actually equal a postage cost of a physical entry.

Key to this is that it would still allow such competitions – where all entries are genuinely free – for example radio competitions/draws and promotional prize competitions such as those historically offered by major breakfast cereal manufacturers and the like.

***Pros:** This makes the playing field somewhat more level.*

***Cons:** This has the effect of essentially stopping operation of all commercial million-pound prize draw operators completely, which reduces the funds raised for good causes while not reducing regulation for lottery operators at all.*

Option 2: Make Prize Draws have 20% contribution, turnover, prize, and draw limits the same as Charity Lotteries.

Allow million-pound prize draws to continue to operate their for-profit model but subject them to the same caps governing society lotteries – i.e. maximum top prize of £500,000 or £1 million, statutory minimum percentage return to charity, alongside advertising and other standard social responsibility requirements such as no credit card play.

This approach doesn't 'break the model' theoretically as it allows private profit to continue, however the curb on prizes heavily restricts it. This maintains distinction for the National Lottery while boosting charitable return. Equivalent prize reforms might also be permitted for charity lotteries via a fixed £500,000 or £1 million top prize.

Pros: *This route does make the playing field more level and might be the sort of solution the government will end up going for.*

Cons: *This does not benefit charity lotteries other than on prizes but does go some way to ensuring regulatory parity in all other areas.*

Option 3: Permit continuation of a reformed 'free' route of entry for Prize Draws, while bringing them within regulatory framework of the Gambling Act.

A similar, yet less extreme alternative to Option 1, would see amendment of paragraph 8(1) of Schedule 2 of the legislation to allow regulated operation of million-pound prize draws, provided that the 'free' route of entry is made genuinely free and more accessible.

In this scenario, a free entry – available online – would give a player the same minimum number of tickets as they would get through the base paid entry method. Prize draw operators would still be able to generate sales through competitive pricing of larger ticket packages.

Operators could also be required to demonstrate that a specified minimum percentage of entries have come via the 'free' route. Such a requirement would operate in much the same way as charity lottery prizes which cannot be more than 10% of the value of tickets in a draw.

Pros: *This option addresses the 'loophole' which enables prize draws to evade regulation, while increasing fairness and transparency around their draws through the introduction of regulation. It also continues to allow fundraising via the commercial prize draw model.*

Cons: *However, it does not address the regulatory burden of charity lotteries or deal with lower percentage charitable return typically offered by prize draw operators. It also may encourage players to spend more on entering a prize draw than they otherwise might.*

Option 4: Introduce light touch regulation of Million-Pound Prize Draws and deregulate Charity Lotteries.

For prize draws, this would still mean Gambling Commission regulation but only the introduction of a statutory minimum charitable return and standard gambling-product restrictions on advertising and social responsibility.

For charity lotteries, this might remove the annual cap on sales, the individual draw limit, and remove the 10% rule governing prizes and seek to harmonise the top prizes offered by both sectors – perhaps setting this at £1 million. Such a figure would enable the continued growth and success of both models; while ensuring truly life-changing, multimillion prizes belong only to the National Lottery.

Pros: *This significantly levels the playing field between charity lotteries and million-pound prize draws and provides some degree of benefit for larger charity lotteries in terms of deregulation.*

Cons: *It primarily benefits the bigger charity lottery operators where the prize, draw, or annual turnover caps are an issue.*

Conclusion: Is this the beginning of the end for Charity Lotteries?

Learning from the existential disruption caused by the rise of the internet

Large-scale prize draws of the type operated by Omaze are what might commonly be regarded as ‘disrupters’. The people behind Omaze have seen an opportunity and made it work for them. The question is, how does the world of charities respond to this disruption? To paraphrase Roy Amara on technology, *‘We tend to overestimate the effect of innovation in the short run and underestimate the effect in the long run.’* Prize draws are both a threat and an opportunity. Lotteries are unlikely to disappear overnight, but the future seems less clear.

There are many good lessons to be learnt from the changes that the internet has brought to our world. The world’s largest and most valuable companies – Google, Meta, Apple, NVidia, Microsoft – are now all technology companies centred on the internet. The internet and, subsequent to that, the smartphone, have fundamentally changed our ways of life and of conducting business beyond all recognition.

Is the rise of the prize draw going to be similarly disruptive, albeit on a sector-specific scale? The findings of this report suggest that without government action, the impact of prize draws seems unlikely to be sudden and dramatic, but slow and insidious. But in 10 or 20 years’ time, it is possible that fundraisers and policymakers will look back on the rise of Omaze as the first step in changes that spelt the end of charity lotteries as an effective fundraising tool. Equally, such a change could prove to be swift, should a small number of large charity lottery operators grow sufficiently exasperated and diversify their model toward large-scale prize draws.

Why would anybody start a Charity Lottery programme today, when they can run a Prize Draw instead?

It is clear that starting a charity lottery within the current regulatory regime is extremely challenging. Every lottery from the very first ticket sale must make a ‘profit’ of 20% so as to return this minimum percentage to good causes without being left out of pocket. If your lottery is more than £20,000 in size, you must register with the Gambling Commission and undertake requirements similar to starting a casino. Your lottery would need an extra licence should it wish to market tickets online. It must ensure that nobody buys a ticket with a credit card, that the draw is not entered by anyone under 18, or who lives in Northern Ireland.

Alternatively, an enterprising company or individual can start a prize draw. The game can look and feel like a lottery, all while making a significant commercial profit. The

prize draw can promise significant prizes and market its product without the Gambling Commission regulating the operation. Tickets can be priced creatively.

Why would an individual or entity start a new charity lottery, given those choices? It makes perfect sense for any current charity lottery operator to explore whether prize draws could work for them, and evidence from established operators such as JumboWin suggests this has already begun to happen.

Without regulatory change, future Charity Lotteries could be a fraction of their current size

Omaze has proven the viability of a 'big-brand, big-prize model' of prize draws. Before too long an entity will quite feasibly get the 'existing charity, smaller prize model' of prize draws to work. And then, bit by bit, new entrants could start to use prize draws as a surrogate for lotteries. Charitable beneficiaries may remain unaware or not fully understand the difference.

More commercial organisations may enter the market, cloaking themselves in the cloth of raising money for good causes, or 'charity-washing' as one interviewee called it during the course of this report's research.

There will not be one single day where this happens, but a thousand days where charity lotteries gradually are emasculated by the millstone of their regulatory burdens. The best scenario is that all the funds that are currently raised by charity lottery are raised by prize draw. But without suitable regulation and mandatory reporting, it is unclear whether we will even know how much prize draws are generating in sales and giving to good causes.

The government needs to take action to help Charity Lotteries continue to grow and thrive

The last few years have brought into sharp contrast the regulatory burden on charity lotteries. Up until the rise of Omaze, the idea of a successful big-prize, big-donation, big-brand prize draw was only theoretical. Now it is real.

Government needs to take action to create a level playing field between lotteries and prize draws. They need to make sure that the income from charity lotteries, and indeed the National Lottery, is maintained and continues to grow. Without regulatory change, charity lotteries could increasingly be supplanted with a model akin to the type of prize draw examined in this report.

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About us

nfpResearch is a leading market research agency in the not-for-profit sector. We put information in the hands of charities, to help them to help as many people as possible.

What sets us apart is the quality of our research. Using sophisticated analytical tools, we drill down into the detail to produce rigorous analysis that can take your organisation to the next level. We might not always tell you what you want to hear – but we promise to tell you what you need to hear, and to listen to your vision of where you want to go.

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