



## **SMALL SOCIETY LOTTERIES**

The promoting society of a small society lottery must, throughout the period during which the lottery is promoted, be registered with a local authority.

### **TYPES OF LOTTERY**

Small society lotteries are exempt from the requirement to be licensed by the Gambling Commission along with other classes of exempt lotteries, which are incidental non-commercial lotteries, a private society lottery, a work lottery or a resident's lottery (see page 10 for more details of exempt lotteries).

Further information regarding lotteries can be found on the Gambling Commission website [www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk).

### **Definition of a Lottery**

Under the Gambling Act 2005 there are two categories of lotteries, simple and complex:-

An arrangement is a simple lottery if:-

- (a) persons are required to pay in order to participate in the arrangement,
- (b) in the course of the arrangement one or more prizes are allocated to one or more members of a class, and
- (c) the prizes are allocated by a process which relies wholly on chance.

An arrangement is a complex lottery if:-

- (a) persons are required to pay in order to participate in the arrangement,
- (b) in the course of the arrangements one or more prizes are allocated to one or more members of a class,
- (c) the prizes are allocated by a series of processes, and
- (d) the first of those processes relies wholly on chance.

### **Regulations for lotteries**

A small society lottery must be promoted wholly on behalf of a non-commercial society. S19 of the Gambling Act 2005 (GA05) defines a society as such if it is established and conducted for charitable purposes. This is for the purpose of enabling participation in, or supporting of, sport, athletics or a cultural activity and for any other non-commercial purpose other than that of private gain.

### **Purpose**

A small society lottery may be promoted for any of the purposes for which the promoting society is conducted.

### **Proceeds**

The proceeds of one lottery may not exceed £20,000. The aggregate of proceeds from lotteries promoted wholly or partly during that year may not exceed £250,000.

### **Maximum Prize**

It must not be possible for the purchaser of a ticket in a small society lottery to win (whether in money, money's worth or partly one and partly the other) more than £25,000.

### **Distribution of proceeds**

The arrangement for a small society lottery must ensure that at least 20% of the proceeds of the lottery are applied to a purpose for which the promoting society is conducted.

### **Tickets**

There is no price limit on tickets but they must all cost the same, and the possible proceeds must not exceed £20,000.

Tickets:-

- (a) must identify the society
- (b) state the price of the ticket
- (c) state the name and an address of a member of the society who is designated, by persons acting on behalf of the society, as having responsibility within the society for the promotion of the lottery, or, if there is one, the external lottery manager
- (d) either states the date of the draw or enables the date of the draw to be determined.

### **Selling of tickets**

Tickets may not be sold by any person under the age of 16 years or to any person under the age of 16 years.

Tickets may be sold from a kiosk, in a shop and door to door. They may not be sold in a street, which is defined as including any bridge, road, lane, footway, subway, square, court or passage (including passages through enclosed premises such as shopping malls).

## **Rollover**

A lottery may include a rollover only if each lottery, which is affected by the rollover is also a small society lottery promoted by or on behalf of the same society.

## **Registration**

The promoting society of a small society lottery must, throughout the period during which the lottery is promoted, be registered with a local authority.

Under paragraph 47 of Schedule 11, a local authority must refuse an application for registration if, in the previous five years, the applicant has had an application for a gambling operating licence refused or, following a review, has had an existing licence revoked by the Gambling Commission because it thought that:- the licensed activity was being carried out in a manner inconsistent with the licensing objectives;

- a condition of the licence was breached;
- the licensee failed to co-operate with a review; or
- the licensee was unsuitable to carry out the licensed activity.

A gambling operating licence may also be revoked for other reasons but only these reasons constitute a basis on which registration of small society lotteries must be refused.

Under paragraph 48 of Schedule 11, a local authority may also refuse an application if;-

- the applicant is not a non-commercial society;
- a person who will or may be connected with the promotion of the lottery has been convicted of a relevant offence (as defined under section 126 and schedule 7 of the Act; or

- information provided in or with the application for registration is false or misleading.

### **Filing of records**

The promoting society must send to the local authority with which the society is registered a statement containing information regarding each lottery. This statement must be supplied to the local authority within the period of three months beginning with the day on which the draw, or last draw, in the lottery takes place.

This statement must be signed by two members of the society who are appointed for the purpose in writing by the society, or if it has one its governing body, and it must be accompanied by a copy of the appointment. It is an offence not to submit a statement for each lottery held. Written records of any unsold or returned tickets should be retained by the society for a period of one year from the date of the lottery draw.

### **Fees**

The initial application fee of £40 and the annual fee due on the anniversary of the date of registration is £20.

# GAMBLING ACT 2005

## SMALL SOCIETY LOTTERY

### GUIDANCE NOTES

#### 1. What is a Lottery?

In essence a lottery is an arrangement which satisfies the statutory description of *either* a **simple lottery** or a **complex lottery**, as per section 14 of the Gambling Act 2005 ("the Act").

An arrangement is a **simple lottery** if:

- persons are required to pay to participate;
- one or more prizes are allocated to one or more members of a class; and
- the prizes are allocated by a process which relies wholly on chance.

An arrangement is a **complex lottery** if:

- persons are required to pay to participate;
- one or more prizes are allocated to one or more members of a class;
- the prizes are allocated by a series of processes; and
- the first of those processes relies wholly on chance.

Arrangements that fulfill all of the criteria of either of the above categories are defined as a lottery under the Act.

#### 2. What is a Society?

Section 19 of the Act defines a society as such if it is established and conducted:

- for charitable purposes;
- for the purpose of enabling participation in, or of supporting, sport, athletics or a cultural activity; or
- any other non-commercial purpose other than that of private gain.

It is inherent in this definition that the society must have been established for one of the permitted purposes, and that the proceeds of any lottery must be devoted to those purposes. It is not permissible to establish a society whose sole purpose is to facilitate lotteries - it must have some other purpose.

### **3. What is a Small Lottery under the Act?**

The Act defines a small society lottery with the definition breaking down into two distinct areas:

- *society status* – the society in question must be ‘non-commercial’ (per ”Definition of Society” as outlined at 2. above).
- *size of lottery* - the total value of tickets to be put on sale per single lottery must be £20,000 or less, or the aggregate value of tickets to be put on sale for all their lotteries in a calendar year must not exceed £250,000. If the operator plans to exceed either of these values then they will be classed as a large lottery operator, and must be licensed with the Gambling Commission (“the Commission”) instead.

The promoting society of a small society lottery must, throughout the period during which the lottery is promoted, be registered with a licensing authority. The licensing authority with which a small society lottery is required to register must be in the area where their principal office is located. If a licensing authority believes that a society’s principal office is situated in another area, it should inform the society and the other authority as soon as possible.

### **4. What are the limits placed on small society lotteries?**

The limits are as follows:

- at least 20% of the lottery proceeds must be applied to the purposes of the society (schedule 11, paragraph 33);
- no single prize may be worth more than £25,000 (schedule 11, paragraph 34);
- rollovers between lotteries are only permitted where every lottery affected is also a small society lottery promoted by the same society, and the maximum single prize is £25,000 (schedule 11, paragraph 35); and
- every ticket in the lottery must cost the same and the ticket fee must be paid to the society (i.e. the society must take payment) before entry into the draw is allowed. (schedule 11, paragraph 37).

### **5. What are the changes between the Act and the old Lotteries and Amusements Act 1976?**

The Act introduces some relaxation of society lottery law and in particular:

- removes the individual limits on the percentage of proceeds that may be applied to expenses or prizes – although the maximum global amount that can be deducted for expenses and prizes remains at 80%, with a minimum of 20% going to the purposes of the society or to local authority expenditure;
- allows rollovers of prize funds from one lottery to another promoted by the same

- society, provided the maximum single prize does not exceed £25,000 or 10% of the gross proceeds;
- permits the sale of tickets by an automated process; and
  - removes the £2 maximum limit on ticket prices.

## 6. What must I do to comply with the regulations under the Act?

As the purpose of permitted lotteries is to raise money for non-commercial causes, the Act requires that a minimum proportion of the money raised by the lottery is channeled to the goals of the society that promoted the lottery. If a small society lottery does not comply with these limits then it will be in breach of the Act's provisions, and consequently be liable for prosecution (see 4. above for details of limits).

Paragraph 39 of Schedule 11 in the Act sets out the information that the promoting society of a small society lottery must send as returns to the licensing authority with which it is registered, **following each lottery held**. This information will allow us to assess, in particular, whether financial limits are being adhered to and to ensure that any money raised is being applied for the proper purpose. The information that must be submitted is as follows:

- the arrangements for the lottery – specifically the date on which tickets were available for sale or supply, the dates of any draw and the value of prizes, including any donated prizes and any rollover;
- the proceeds of the lottery;
- the amounts deducted by the promoters of the lottery in providing prizes, including prizes in accordance with any rollovers;
- the amounts deducted by the promoters of the lottery in respect of costs incurred in organising the lottery;
- whether any expenses incurred in connection with the lottery were not paid for by deduction from the proceeds, and, if so, the amount of expenses and the sources from which they were paid; and the amount applied to the purpose for which the promoting society is conducted (this **must** be at least 20% of the proceeds).

Paragraph 39 of the Act also requires that returns must:

- be sent to us no later than three months after the date of the lottery draw, or in the case of 'instant lotteries (scratch cards) within three months of the last date on which tickets were on sale; and
- be signed (electronic signatures are acceptable if the return is sent electronically) by two members of the society, who must be aged eighteen or older, are appointed for the purpose in writing by the society or, if it has one, its governing body, and accompanied by a copy of their letter or letters of appointment.

A proforma return, for use by societies, is available from the Licensing Team, Democratic Services, South Norfolk District Council, Swan Lane, Long Stratton, Norwich NR15 2XE

## **7. Can you refuse a Lottery registration? If so on what grounds?**

Yes, we will refuse an application for any of the following reasons:

- an operating licence held by the applicant for registration has been revoked or an application for an operating licence made by the applicant for registration has been refused, within the past 5 years.
- the society in question cannot be deemed non-commercial.
- a person who will or may be connected with the promotion of the lottery has been convicted of a relevant offence.
- information provided in or with the application for registration is found to be false or misleading.

However, we may only refuse an application for registration after the society has had the opportunity to make representations against the refusal. These can be taken at a formal hearing or taken via correspondence. We will inform the society of the reasons why we are minded to refuse registration and will provide it with at least an outline of the evidence on which we have reached that preliminary conclusion – in order to enable it to make any representations it sees fit.

The applicant or society may decide to make an appeal against the decision. They must lodge an appeal within 21 days of receipt of the notice of the decision, and this must be made directly to the local magistrates' court.

## **8. What are the regulations concerning lottery tickets?**

Lotteries may involve the issuing of physical or virtual tickets to participants (a virtual ticket being non-physical, for example in the form of an email or text message). Schedule 11(36) requires that a purchaser of a small society lottery ticket must receive a document which identifies:

- the name of the promoting society;
- the price of the ticket (must be the same for all tickets);
- the name and address of the member of the society who is designated as having responsibility at the society for promoting small lotteries, or (if there is one) the external lottery manager; and
- the date of the draw, or enables the date to be determined.

However, the requirement to provide this information can be satisfied by providing an

opportunity for the participant to retain the message electronically or print it. The Act requires that lottery tickets may only be sold by persons over the age of 16 to persons over the age of 16.

Tickets should not be sold in a street, (street including any bridge, road, lane, footway, subway, square, court or passage - including passages through enclosed premises such as shopping malls); however, tickets may be sold from a kiosk, in a shop or door-to-door.

### **9. What are the regulations concerning prizes?**

Prizes awarded in small society lotteries can be either cash or non-monetary. However the amount of money deducted from the proceeds of the lottery to cover prizes must not exceed the limits set out by the Act - i.e. that combined with any expenses incurred with the running of the lottery, such as manager's fees, they must not comprise more than 80% of the total proceeds of the lottery. Donated prizes would not be counted as part of this 80% (as no money would be withdrawn from the proceeds to cover their purchase) but should still be declared on the return following the lottery draw (see **6.** above).

### **10. What are the offences applicable to Lotteries under the Act? Section of the Act Offence**

- s. 258 Promoting a non-exempt lottery without a licence
- s. 259 Facilitating a non-exempt lottery without a licence
- s. 260 Misusing the profits of a lottery
- s. 261 Misusing the profits of an exempt lottery
- s. 262 Purporting to operate a small society lottery when not registered, or failing to make the required, or making false or misleading, returns in respect of such lotteries.
- s. 326 Without reasonable excuse, obstructing or failing to cooperate with an authorised person exercising his/her powers
- s. 342 Without reasonable excuse, giving false or misleading information to the Commission or a licensing authority.

### **12. Do I have to pay an annual fee to stay registered?**

Yes. It must be paid within the period of two months which ends immediately before each anniversary of the registration.

## **EXEMPT LOTTERIES**

### **Incidental Non-Commercial Lotteries**

An incidental lottery may be exempt as long as:-

- The event is non-commercial (there may be no element of private gain)
- It is incidental to the main event
- The tickets are sold on the premises on which the connected event takes place and while the event is taking place
- The results of the lottery are made public while the connected event is taking place

There are limits with regard to the amount of deductions that may be made from the proceeds of the lottery. No more than £500 may be deducted in respect of the cost of the prizes and no more than £100 may be deducted in respect of the costs incurred in organising the lottery.

### **Private Lotteries**

#### **Society Lottery**

A 'society' is any group or society (or a single branch or section of a society) established and conducted for purposes not connected with gambling.

A lottery is a private society lottery if

- It is promoted only by authorised member of a society
- Each person to whom a ticket is sold is either a member of the society or on society premises

No advertisement for the lottery may be displayed or distributed except on the society premises, or sent to any other premises.

## **Work Lottery**

A lottery is a work lottery if the promoter(s) work on a single set of premises and each person to whom a ticket is sold also works on the premises.

A work lottery must be organised in such a way as to ensure that no profits are made.

No advertisement for the lottery may be displayed or distributed except on the work premises, or sent to any other premises.

## **Resident's Lottery**

A lottery is a resident's lottery if the promoter(s) live in a single set of premises and each person to whom a ticket is sold also lives in the residential premises.

A resident's lottery must be organised in such a way as to ensure that no profits are made.

No advertisement for the lottery may be displayed or distributed except on the work premises, or sent to any other premises.

## **Ticket requirements**

Each ticket in a private lottery must be a document which

- Must state the name and address of each of the promoters of the lottery
- Must specify the class of persons to whom the promoters are willing to sell tickets
- Must explain the ticket/prize is not transferable
- Must show the price payable for each ticket (which must be the same)

## **Customer Lottery**

A lottery is a customer lottery if the promoter(s) occupies premises in the course of a business and each person to whom a ticket is sold is on the premises as a customer.

A customer lottery must be organised in such a way as to ensure that no profits are made.

No advertisement for the lottery may be displayed or distributed except on the business premises, or sent to any other premises.

It must not be possible for the purchaser of a ticket in a customer lottery to win by virtue of that ticket more than £50 (whether in money, money's worth, or partly the one and partly the other).

### **Ticket requirements**

Each ticket in a customer lottery must be a document which

- Must state the name and address of the promoter of the lottery
- Must specify the class of persons to whom the promoters are willing to sell tickets
- Must explain the ticket/prize is not transferable
- Must show the price payable for each ticket (which must be the same)