



# High-risk Investing and Gambling

## Gambling Related Financial Harm Workshop #3 Summary of key insights and proposed practical actions for relevant sectors to consider.

GamCare's Gambling Related Financial Harm (GRFH) programme is a cross-sector initiative to share knowledge, develop resources, and enable organisations to help customers affected by financial harms as early as possible. GRFH Insight Workshops bring relevant sectors (financial services, the debt advice sector, gambling businesses and gambling support services) together to share knowledge and raise awareness about key and emerging issues relating to gambling and finances. You can read more about GamCare's GRFH work [here](#). The most recent event in our series of Workshops explored how high-risk investing and trading can intersect with gambling, and the potential harms it can cause.

As millions of people were placed on furlough or simply had more time on their hands during the Covid-19 lockdowns, the interest in investing, popularity of apps and platforms that enable self-investing (i.e. making trades themselves without the help of a financial adviser) have risen dramatically. It is reported that 1.8 million people in the UK [have started day trading](#) (high-frequency buying and selling investments on the same day) since the start of the pandemic and 2.3 million UK adults [now hold cryptoassets](#), making stock and crypto investing part of everyday conversation for many. Whilst the emergence of trading apps has made investing more accessible, the constant availability of these platforms and extreme volatility of certain investments have blurred the lines between trading and gambling.

On 20 October 2021, GamCare facilitated an Insight Workshop to look at how high-risk investing may cross over with gambling. The event brought together over 70 representatives from relevant sectors as well as those who have experienced trading harms first-hand. Attendees discussed the potential harms, and what measures could be put in place to protect the vulnerable and ensure that those affected get the support they need. The first part of the Workshop was recorded and can be viewed as a webinar [here](#).

This document summarises the issues discussed during the Workshop and lists high-level recommendations for organisations working with people who may be affected by "high-risk trading harms", such as:

- All sectors to raise awareness of high-risk trading harms and how they can intersect with gambling
- Gambling support organisations to assess the need and consider support provisions for those affected
- Trading platforms to develop better support mechanisms for customers experiencing harm (e.g. identification, self-exclusion, signposting to support)

GamCare and the GRFH Project Steering Group support a cross-sector response to drive these changes forward. We see these actions as 'everyone's business' and we believe that all the relevant sectors and organisations below could take an active role in supporting those affected by trading harms and ideally, preventing harm before it happens.

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“I was looking at the trading apps nearly 16 hours a day. I kept putting my money in and chasing losses, whilst lying to my family about how I was getting on. On a Friday night, I would dread the weekend because I couldn't do any trading. That's when I realised it was no longer trading - I had a gambling problem.”

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## The challenge



## Recommendations/Solutions

### 1. Awareness

The emergence of new types of investment platforms and smartphone apps, such as Trading 212, FreeTrade and eToro (see appendix below), has reduced barriers to entry to the investment market. Investment products have been made more accessible through low or no-fee models and user-friendly interfaces. But these self-directed investors may be at risk of experiencing harm, particularly if they are trading volatile products such as cryptocurrencies, currency exchanges (aka FX or forex) or contract for difference (CFDs) (see appendix).

Like gambling, excessive trading and investing can impact not only a person's finances, but can affect their mental, physical health, relationships, work or education. However when it comes to high-risk investing, consumer communications and messaging tends to focus on financial risk, scams and fraud, whilst the wider harms on the person and society are overlooked.

All sectors to seek to raise awareness of the difference between long-term investing and high-risk trading as well as the harms that high-risk-trading may cause, and the warning signs of when trading becomes gambling.

#### How can this be achieved?

- **Gambling support services providing awareness** and education could include information about high-risk and harmful trading in their programmes
- **Money guidance and financial education organisations** could raise awareness of harms linked to high-risk trading (outside of scams/fraud context)
- **Financial services firms** to consider how to raise awareness of trading harms amongst their customers and provide support to those who are vulnerable. For example:
  - **Banks and building societies** to include trading harms on their vulnerability agenda and consider their approach to prevent the harm and support affected customers
  - **Lenders and credit card providers** could consider how they can prevent customers from using credit to fund high-risk investments
- **All sectors** to agree on the key terminology and messaging that can be used consistently across customer journeys

### 2. Prevention

The patterns of concerning behaviour already seen by gambling businesses could be applicable in the context of risky trading and investments (e.g. spikes in deposits, investing late at night, loss chasing). Unlike gambling however, the people affected by trading harms aren't offered support tools that are commonly used by those who want to control their gambling.

Some gambling blocking software products (e.g. Gamban) also block access to high-risk trading websites and apps, but these tools aren't offered to customers on trading platforms. Additionally, there are no equivalent self-exclusion schemes for consumers experiencing trading harms (e.g. Gamstop, which offers self-exclusion for all licenced gambling operators).

Many trading and investment platforms, particularly the newer type of platforms (see appendix), may have data and technology to identify and prevent trading harms that they aren't using. Some providers (e.g. those that are linked to a bank) may also have access to a more holistic view of client's financial situation and vulnerabilities and could be using this information to prevent trading harms (e.g. Revolut customers who have a gambling block in place are excluded from crypto marketing communications).

- **Trading and investment platforms as well as cryptocurrency exchanges** to have tools and strategies in place to protect customers vulnerable to trading harms. This could be done through:
  - Providing awareness and information to customers not only about financial risks, but trading harms more generally, including the warning signs of when trading has crossed over into gambling - throughout customer journeys
  - Offering tools to help customers manage their trading activity (e.g. time and deposit limits, time-outs, profit and loss summary)
  - Identification (e.g. through data already available about customer vulnerabilities, developing AI/algorithms that would help spot the signs of problematic trading, monitoring of account activity for at-risk clients)
  - Staff training (e.g. gambling and trading harm awareness training across all relevant departments)
  - Offering better customer support (e.g. ensuring there are ways for customers to contact, referral pathways to third party support organisations for customers experiencing harm)
- **The Government and the Financial Conduct Authority** could consider a sector-wide self-exclusion scheme for all trading platforms that offer high-risk investments and day trading. The FCA could explore working together with other regulators (e.g. the Gambling Commission) on implementing such measures.

If you are already taking action to address any of these issues, please get in touch to let us know.

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 <b>The challenge</b>	 <b>Recommendations/Solutions</b>
<b>3. Identification</b>	
<p>High-risk trading can often go hand in hand with other compulsive behaviours, particularly gambling. <a href="#">A study</a> published earlier this year found that those who bought and sold their investments more frequently also had higher Problem Gambling Severity Index (PGSI) scores. However, gambling treatment practitioners do not routinely screen gamblers for trading harms.</p>	<ul style="list-style-type: none"> <li>● <b>Gambling support and treatment organisations</b> to consider adding questions relating to trading harms to screens with gambling treatment clients. This should only be set up if there are appropriate support and interventions in place to be able to address any identified harms/positive screens. Screening will also support data collection of the issue relevant to the recommendations in the section above (see “Support” below).</li> </ul>
<b>4. Support</b>	
<p>Trading and gambling share many commonalities. According to a <a href="#">2017 study</a>, traders experiencing harm in the same way as gamblers are likely to experience early wins, chase their losses and lose control over the money they invested.</p> <p>Therefore, it is not surprising that some day traders seek help from gambling support services and treatment clinics. The gambling support sector reports seeing an increasing number of people experiencing harms related to high-risk investing; with the particularly volatile nature of cryptocurrencies seeming to have exacerbated the issue.</p> <p>Anecdotally, the National Gambling Helpline advisers report that they receive about 20 calls a week relating to crypto and other forms of high-risk trading. Private treatment centres are also seeing an increase in trading being part of other cross-addictions (e.g. substance misuse).</p> <p>And whilst gambling support organisations would help those affected by trading harms where requested, they are not specifically funded nor set up to support clients with trading issues.</p>	<ul style="list-style-type: none"> <li>● <b>Gambling support and treatment organisations</b> to better understand the level of need and related harms, and consider what support and interventions are required for people experiencing trading harms. This could include, but is not limited to:             <ul style="list-style-type: none"> <li>○ Gathering insight, data, and case studies in relation to service users presenting with trading harms, engaging people with lived experience of the issue</li> <li>○ Undertake needs assessment, and appropriate service provisions (explore funding sources to enable this)</li> <li>○ Providing training on the issue to support staff/practitioners</li> <li>○ Developing resources for staff/practitioners to support clients experiencing trading harms</li> <li>○ Promoting services that support people experiencing trading harms (provided these provisions are in place), to ensure that those needing help are aware of what is available and know how to access it (e.g. through service websites and other communication channels).</li> </ul> </li> </ul>

## Appendix

### High-risk, high-return investment types

Investments that are defined as high-risk, high-return, [according to the FCA](#) are:

- Investment-based crowdfunding
- Peer to peer lending
- FX/forex
- High-return or mini-bonds
- Land banking
- Collective Investment Schemes (CIS) not regulated/authorised in the UK
- Cryptocurrencies or exchange tokens
- Binary options
- Contracts for Difference (CFDs)

NB Whilst not classified as high-risk investment by the FCA, certain stocks and bonds can be extremely volatile, making these investments high-risk.

### Newer investment platforms

Some of the newer investment platforms and apps offering self-directed investing include: Trading 212, Coinbase, eToro, Moneybox, Moneyfarm, Wealthify, Upstart, FXPro, Plus500, Binance, Peerform, Degiro, Kraken, Pepperstone, Lending Club

If you are already taking action to address any of these issues, please get in touch to let us know.  
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