

Research Briefing

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# The National Lottery



## Summary

- 1 The National Lottery: operation and regulation
- 2 The National Lottery and player safety

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## Summary

The first National Lottery draw took place on 19 November 1994. Since then, [it has raised over £48 billion for good causes and supported 685,000 projects](#). Around 1% of total revenue is retained in profit, with 95% going to winners and society. Expenditure of total revenue on operating costs is about 4%, making it “one of the most cost-efficient major lotteries in Europe”. For the year ending 31 March 2023, total ticket sales were £8,190.3 million. This resulted in:

- £1,877.3 million generated for National Lottery projects.
- £4,694 million awarded to players in prizes.
- £982.8 million going to the Government in Lottery Duty.
- £254.7 million earned by retailers in commission.

On 1 February 2024, [Allwyn became the National Lottery operator, taking over from Camelot](#).

This Briefing gives an overview of how the Lottery operates and is regulated.

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# 1 The National Lottery: operation and regulation

The [National Lottery etc Act 1993](#) (the 1993 Act) set up the National Lottery. There are four parties that contribute to its running:

- the [Department for Culture, Media and Sport](#) (DCMS).
- [Allwyn](#), the company which runs the Lottery.
- the [Gambling Commission](#), the body responsible for regulating the Lottery.
- the individual distributing bodies of Lottery money.

There are two types of National Lottery game:

- draw-based games - such as Lotto and EuroMillions.
- instant win games - where a prize can be won immediately (scratch cards and online instant win games).

The minimum age for playing National Lottery games was set at 16 in 1994. [Section 12 of the 1993 Act](#) allows the Secretary of State for Culture, Media and Sport to amend the minimum age through secondary legislation. In 2021, after a consultation in 2019, the Government raised the minimum age to 18 years.<sup>1</sup>

## 1.1 What is the Gambling Commission's role?

The [Gambling Commission regulates the National Lottery and the company which runs it](#).<sup>2</sup>

Under the 1993 Act, the Gambling Commission must ensure that:

- the National Lottery is run with due propriety.

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<sup>1</sup> DCMS, [Consultation on the minimum age for playing National Lottery games](#) (updated 20 December 2020 (accessed 7 February 2024)). According to a [PQ response \[4020\]](#) of 24 May 2021, online and retail sales to the under-18s stopped in April 2021.

<sup>2</sup> The National Lottery Commission was responsible for regulating the National Lottery until October 2013. It was then abolished and its functions transferred to the Gambling Commission through the [Public Bodies \(Merger of the Gambling Commission and the National Lottery Commission\) Order 2013](#) (SI 2013/2329)

- the interests of all players are protected.
- returns to good causes are maximised.

The Secretary of State [issues directions to the Commission on the exercise of its licensing functions](#).<sup>3</sup>

The Commission [grants licences for each game](#), or class of games, promoted as part of the National Lottery. It also awards the licence to run the National Lottery.

## 1.2 The fourth licence competition

The third licence to run the National Lottery came into force in February 2009 and was due to expire in 2023.

The fourth licence competition began in August 2020 and was originally due to complete in August 2023. The timeline was extended in August 2021. The Gambling Commission explained that four weeks would be added to the phase 2 application stage, with a further six weeks added for evaluation, following “representations” from applicants.<sup>4</sup> As a result of these changes, the third licence was extended by six months, with the fourth beginning from 1 February 2024.<sup>5</sup>

In March 2022, [the Gambling Commission named Allwyn Entertainment Ltd \(“Allwyn”\) as the preferred applicant for the fourth licence](#).<sup>6</sup> The Commission said the decision was taken after “a fair, open and robust competition”. There were four applications at the final stage, the highest number since the first licence was awarded in 1994. The other applicants were Sisal Spa, The New Lottery Company Ltd, and Camelot UK Lotteries Ltd (named as Reserve Applicant).<sup>7</sup>

On 1 April 2022, Camelot announced that it was launching a High Court challenge, claiming that the Gambling Commission had got its decision “badly wrong”.<sup>8</sup> In a statement on the same date, [the Commission said the licence competition had been “carried out fairly and lawfully in accordance](#)

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<sup>3</sup> Under [section 11 of the 1993 Act](#).

<sup>4</sup> [Fourth National Lottery licence competition timetable update](#). Gambling Commission news [online], 4 August 2021 (accessed 6 February 2024)

<sup>5</sup> As above

<sup>6</sup> [Allwyn named Preferred Applicant for fourth National Lottery licence](#). Gambling Commission news [online], 15 March 2022 (accessed 6 February 2024)

<sup>7</sup> As above.

<sup>8</sup> Camelot statement on the issuing of high court proceedings against the Gambling Commission, Camelot news, 1 April 2022 (no longer available online)

[with \[its\] statutory duties](#)".<sup>9</sup> International Game Technology PLC (IGT) also began a claim for damages against the Commission's decision.

Camelot ended its legal challenge on 5 September 2022.<sup>10</sup> The Gambling Commission formally awarded the fourth licence to Allwyn on 20 September 2022.<sup>11</sup> IGT discontinued its claim for damages on 19 January 2024.<sup>12</sup>

For further detail on the fourth licence competition, see:

- Gambling Commission website, [National Lottery](#).
- Culture, Media and Sport Committee, [What next for the National Lottery?](#) (PDF), HC 154, November 2022, chapter 1.
- DCMS Committee, [What next for the National Lottery?: Government and Gambling Commission Responses to the Committee's Fourth Report](#) (PDF), HC 1208, March 2023, paras 10-13 and pp10-11.

## What's new under the fourth licence?

The fourth licence to run the Lottery began on 1 February 2024 and will run for ten years.<sup>13</sup> The Gambling Commission has summarised the main changes under the licence:

- a new incentive mechanism that ensures the licensee's incentives and delivery are better aligned with contributions to good causes. Under this mechanism the licensee's profits will be more closely aligned to the returns to good causes than ever before.
- a move to an outcomes-based approach, in line with best practice and the National Audit Office's recommendations. This will give the licensee greater responsibility to fulfil its obligations, while retaining the Commission's power to intervene if they do not.
- greater flexibility for the licensee, allowing them to more rapidly, and effectively, adapt their offerings to reflect changing technology, consumer safety, regulation and consumer preferences, so long as they meet the licence obligations.

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<sup>9</sup> [Fourth National Lottery licence competition: statement on legal action](#), Gambling Commission news [online], 1 April 2022 (accessed 6 February 2024)

<sup>10</sup> [Update on fourth National Lottery licence: Camelot withdraw appeal](#), Gambling Commission news [online], 5 September 2022 (accessed 6 February 2024)

<sup>11</sup> [Fourth National Lottery licence formally awarded to Allwyn](#), Gambling Commission news [online], 20 September 2022 (accessed 6 February 2024)

<sup>12</sup> [Update on fourth National Lottery licence: IGT discontinues appeal](#), Gambling Commission news [online], 19 January 2024 (accessed 6 February 2024)

<sup>13</sup> [Fourth National Lottery Licence begins with Allwyn as new operator](#), Gambling Commission news [online], 1 February 2024; [The National Lottery changes operator for first time in 30 Years](#), Allwyn Insight [online], 1 February 2024 (accessed 6 February 2024)

- a fixed 10-year licence, providing the licensee with a clear period for investment planning.
- a retail charter to ensure the next licensee engages proactively with retailers when the fourth licence commences in February 2024.<sup>14</sup>

## 1.3 How is National Lottery money distributed?

The National Lottery operator passes income from the sale of Lottery tickets to the National Lottery Distribution Fund (NLDF). The DCMS administers the NLDF, passing the money to the individual distributing bodies.

The apportionment of money in the NLDF is set out in [section 22\(3\) of the 1993 Act](#):

- 20% for expenditure on or connected with the arts.
- 20% for expenditure on or connected with sport.
- 20% for expenditure on or connected with the national heritage.
- 40% for expenditure that is:
  - (i) charitable, or
  - (ii) connected with health, or
  - (iii) connected with education, or
  - (iv) connected with the environment.

[Section 28 of the 1993 Act](#) gives the Secretary of State the power to amend these shares. This was most recently done through the [Apportionment of Money in the National Lottery Distribution Fund Order 2010](#) (SI 2010/2863).<sup>15</sup>

### Who are the distributing bodies?

The distributing bodies give grants to support the arts, heritage, health, education, sport, voluntary groups, and the environment. Decisions about

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<sup>14</sup> [Fourth National Lottery licence formally awarded to Allwyn](#), Gambling Commission news [online], 20 September 2022

<sup>15</sup> The 2010 Order followed a [DCMS consultation that ran from 19 May 2010 to 21 August 2010](#). A summary of the consultation, the policy background, and an Impact Assessment can be found in an [Explanatory Memorandum to the Order](#) (PDF) (accessed 6 February 2024).



grants are made by the individual distributing bodies independently of government.<sup>16</sup> The twelve distributing bodies are:

- [Arts Council England](#).
- [Arts Council of Wales](#).
- [Creative Scotland](#).
- [Arts Council of Northern Ireland](#).
- [British Film Institute](#).
- [Sport England](#).
- [Sport Scotland](#).
- [Sport Wales](#).
- [Sport Northern Ireland](#)
- [UK Sport](#).
- [The Heritage Fund](#).
- [The National Lottery Community Fund](#), the largest distributor.

The percentages given to the distributing bodies are set out in [section 23 of the 1993 Act](#). The Secretary of State has the power, under [section 29 of the Act](#), to amend these shares.

Under [section 26 of the 1993 Act](#), the Secretary of State issues policy and financial directions to the English and UK-wide lottery distributing bodies. The policy directions set the framework within which the distributing bodies operate. These include considerations relating to:

- who can receive funding.
- what funding can be used for.
- the conditions the distributing body must meet.

The financial directions relate to financial propriety and efficiency. They are designed to secure the proper management and control by a distributing body of the Lottery funds available to it.

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<sup>16</sup> DCMS Committee, [What next for the National Lottery?: Government and Gambling Commission Responses to the Committee's Fourth Report](#) (PDF), HC 1208, March 2023, pp4-5 (accessed 7 February 2024); [HC Deb 6 January 2014 cc156-7W](#).

Welsh, Scottish, and Northern Irish Lottery distributing bodies' policy directions are issued by the Welsh Government, the Scottish Government, and the Northern Ireland Executive.

The distributing bodies offer various funding programmes, each programme has its own eligibility criteria.

## Public awareness of the link between the National Lottery and funding for good causes

In a November 2022 report on the National Lottery, the Culture, Media and Sport Committee found that the link between National Lottery funding and good causes was “not as strongly understood as it could be”:

...Indeed, a recent YouGov poll found that only 31% of players said that they like that some of the cost of their ticket goes to good causes. In contrast, 59% said that they play for a chance to win big prizes, with 17% saying that they wanted to win smaller prizes but more often. However, the National Lottery was established as a means of raising funds for good causes...<sup>17</sup>

The Committee warned that this risked the public “losing sight of the National Lottery’s original purpose, to raise money for good causes, and instead focusing on the prizes on offer, which could lead to public calls for a reduction in good cause returns in order to boost prizes”.<sup>18</sup> It recommended that:

...over the next six months, the distributing bodies consider how they might more effectively ensure that recipients of funding ensure that those benefitting from that funding are aware of the source of their funding. We would like to receive a report from the National Lottery Distribution Fund to inform us of changes to be made.<sup>19</sup>

The response of the National Lottery distributors was published in October 2023.<sup>20</sup> The distributors said they had a “strong commitment to grant acknowledgement which broadly falls into three categories”:

Requirements of grant holders: Distributors contractually oblige grant holders to acknowledge their National Lottery Funding. This includes using the correct branding across their projects, sports kits, films, and events and referencing the National Lottery in marketing materials, press, social media, and interviews.

Support for grant holders: Distributors provide brand guidance and toolkits to grant holders. They also regularly engage with grant holders to provide advice, for example UK Sport works with every Olympic and Paralympic sport to ensure that the Chair, CEO, performance team, communications team and

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<sup>17</sup> Culture, Media and Sport Committee, [What next for the National Lottery?](#) (PDF), HC 154, November 2022, para 93, footnote removed (accessed 8 February 2024)

<sup>18</sup> As above, para 102

<sup>19</sup> As above, para 104

<sup>20</sup> Culture, Media and Sport Committee, [What next for the National Lottery?: National Lottery Distributors' Response to the Committee's Fourth Report](#) (PDF), HC 1913, October 2023

athletes understand the role that the National Lottery players play as well as the impact of National Lottery funding.

Media and communications: Distributors work closely with grant holders in planning the announcement of their grant and acknowledging their grant 6 National Lottery Distributors' Response to the Committee's Fourth Report through planned press activity. Examples of press activity include UK Sport requiring athletes to make themselves available for three media appearances per year, and the British Film Institute producing videos from talent to thank National Lottery player.<sup>21</sup>

The report then set out each distributor's current approach to grant acknowledgment and future changes that would be made.

## Rebalancing funding

In its November 2022 report, the Culture, Media and Sport Committee welcomed moves by Arts Council England to rebalance its funding across the UK.<sup>22</sup> The Committee said it was interested in how wider aims to facilitate access to arts and culture might be aligned with the Government's levelling up agenda. It observed that National Lottery-funded organisations and projects "could assist in offering opportunities that improve the lives and life chances of people across the UK".<sup>23</sup> The Committee recommended that the Government "continues to ensure greater alignment between its investment priorities into areas of high economic or social deprivation and the distribution priorities of National Lottery fund distributors".<sup>24</sup>

In its March 2023 response, the DCMS agreed that Lottery funding could help to improve the lives and chances of people, particularly in areas of high economic or social deprivation.<sup>25</sup> It noted that while investment and grant-making decisions were made independently by the distributing bodies, the DCMS used a range of mechanisms to engage the six distributing bodies that are DCMS public bodies on the strategic direction of their funding and investment:

...These include National Lottery policy directions, which set out the matters to be taken into account when the bodies distribute money, as well as framework agreements between the department and the Public Body. Current National Lottery policy directions require distributors to consider the need to reduce economic, social and environmental deprivation across the UK when distributing funds.

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<sup>21</sup> As above, pp5-6

<sup>22</sup> Culture, Media and Sport Committee, [What next for the National Lottery?](#) (PDF), HC 154, November 2022, para 85

<sup>23</sup> As above, para 85

<sup>24</sup> As above, para 86

<sup>25</sup> DCMS Committee, [What next for the National Lottery?: Government and Gambling Commission Responses to the Committee's Fourth Report](#) (PDF), HC 1208, March 2023, p4

In order to ensure greater alignment, we are considering the role that policy directions play in supporting investment priorities and we are committed to reviewing them at the appropriate time.<sup>26</sup>

## 1.4 What is the “additionality principle”?

The “additionality principle” is the idea that money from the National Lottery should fund activities that are additional to what the state provides through general taxation. The principle was set out in the March 1992 white paper, [A National Lottery raising money for good causes](#) (PDF):

Under standard conventions, the disbursements of a national lottery will be classified as public expenditure in the national accounts. The Government does not intend that the money provided from the lottery should substitute for that provided in other ways: the proceeds will not be brought within the planning total, and the Government will not make any case by case reduction in conventional expenditure programmes to take account of awards from the lottery proceeds.<sup>27</sup>

[Section 12 of the National Lottery Act 2006](#) amended the 1993 Act so that the Lottery distributors have to outline the ways in which they ensure that Lottery funding does not act as a replacement for government funds.

## 1.5 Where can I get details of National Lottery grants?

The [GOV.UK website has a section that can be searched to obtain details of National Lottery grants by](#): good cause area; distributing body; geographical area, local authority, or parliamentary constituency; grant amount; date range.<sup>28</sup>

The [Gambling Commission’s website has statistics on funds raised for good causes](#).<sup>29</sup>

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<sup>26</sup> As above, pp4-5

<sup>27</sup> Home Office, [A National Lottery Raising Money For Good Causes](#) (PDF), Cm 1861, March 1992, para 41 (accessed 6 February 2024)

<sup>28</sup> GOV.UK, [National Lottery grants: charts](#) (accessed 6 February 2024)

<sup>29</sup> Gambling Commission website, [Statistics and research](#) (accessed 6 February 2024)

## 2 The National Lottery and player safety

In its November 2022 report, the Culture, Media and Sport Committee noted that draw-based lottery games generally posed “little harm” to the public, although the harm was not zero.<sup>30</sup> Dr Sasha Stark of the Responsible Gambling Council told the Committee that lottery play was “not a benign form of gambling.”<sup>31</sup>

This section briefly looks at the National Lottery Consumer Protection Strategy, what Allwyn have said on player protection, and the use of credit cards to gamble, something the Committee said should be “re-examined”.<sup>32</sup>

Further discussion of the National Lottery and gambling harm can be found in the DCMS Committee report<sup>33</sup> and the responses from the Government and the Gambling Commission.<sup>34</sup>

### 2.1 National Lottery Consumer Protection Strategy

The [National Lottery website sets out its consumer protection strategy](#). This has two ambitions:

- to be the safest place to play.
- to promote “healthy play”.

To achieve the above, the strategy focuses on:

- Player – Preventing underage players from accessing National Lottery products as players must be aged 18 or over to play National Lottery games; and detecting and interacting with at-risk players to minimise excessive play.
- Product – Designing games that are lower risk and don't appeal to vulnerable groups, including those under 18, through a rigorous game design process.

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<sup>30</sup> Culture, Media and Sport Committee, [What next for the National Lottery?](#) (PDF), HC 154, November 2022, para 36

<sup>31</sup> As above, para 36

<sup>32</sup> As above, para 3

<sup>33</sup> As above, chapter 2

<sup>34</sup> DCMS Committee, [What next for the National Lottery?: Government and Gambling Commission Responses to the Committee's Fourth Report](#) (PDF), HC 1208, March 2023, p2, pp11-13 and pp15-16

- Place – Creating controlled play environments – online and in retail – and promoting Healthy Play habits to all players.
- Leadership – Taking a leading role in advancing Consumer Protection practices.

The strategy then sets out actions taken under the above four headings.<sup>35</sup>

## 2.2 Allwyn and player safety

The [Allwyn website states that player safety is its “top priority”](#):

.. We want people to enjoy The National Lottery, and to do so in a responsible way. Ensuring The National Lottery remains a trusted and safe environment that sets a new benchmark in player protection is intrinsically embedded in everything at Allwyn UK.

Our ambition is to set a benchmark for world-class player safety in digital-first lottery play.<sup>36</sup>

Various measures to protect against harmful behaviour will be implemented over the course of the fourth licence, including:

- Safe games for all participants, through our responsible game design processes
- Stringent safeguards to protect vulnerable participants, such as lower limits online
- Potential harm detection and early prevention through behavioural analytics and interventions
- Proactive education of our customers and business partners on player safety principles
- Collaboration with industry, the regulator and European and world lottery organisations to contribute to the development of best practice standards.<sup>37</sup>

## 2.3 National Lottery games and credit cards

From April 2020, it has been illegal for consumers to gamble using credit cards.<sup>38</sup> The ban applies to all online and offline gambling products except for non-remote lotteries.<sup>39</sup>

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<sup>35</sup> National Lottery website, [Consumer Protection Strategy](#) (accessed 6 February 2024)

<sup>36</sup> Allwyn website, [Player protection](#) (accessed 6 February 2024)

<sup>37</sup> As above

<sup>38</sup> [Gambling on credit cards to be banned from April 2020](#), Gambling Commission news [online], 14 January 2020 (accessed 7 February 2024)

<sup>39</sup> As above

In relation to the National Lottery, the ban means that credit cards cannot be used to play the Lottery online or via the National Lottery smartphone app. However shoppers can use credit cards to buy National Lottery products in retailers. The Government has said this is because of “the lower risk posed by lottery products relative to other gambling products – along with the controls which are already in place, such as the training provided to retailers”.<sup>40</sup>

In its November 2022 report, the Culture, Media and Sport Committee said that the exemptions to the ban on gambling with credit cards were “ill thought through and subject to discretion”. Opt-outs for retailers meant there was still the possibility for those at risk of gambling harms to gamble on credit.<sup>41</sup> The Committee recommended that this “loophole” should be “closed as soon as practicable, following discussions with retailers”.<sup>42</sup>

In its March 2023 response to the Committee’s report, the Gambling Commission said that it had not seen “any substantive evidence to suggest that the current position is generating risks for or causing harm to National Lottery players”.<sup>43</sup> The Commission noted that no such evidence was presented to the Committee either within or in support of its report.<sup>44</sup> The Gambling Commission also claimed that a ban on the use of credit cards would impede the ability of most retailers to offer a “frictionless service” (eg through queues forming and taking up staff capacity).<sup>45</sup>

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<sup>40</sup> [HL 8254 \[on lotteries, scratch cards and credit cards\]](#), answered 15 June 2023

<sup>41</sup> Culture, Media and Sport Committee, [What next for the National Lottery?](#) (PDF), HC 154, November 2022, para 71

<sup>42</sup> As above, para 72

<sup>43</sup> DCMS Committee, [What next for the National Lottery?: Government and Gambling Commission Responses to the Committee’s Fourth Report](#) (PDF), HC 1208, March 2023, p15

<sup>44</sup> As above

<sup>45</sup> As above

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