



# Crime and problem gambling

When legitimate or legal sources of gambling funds dry up problem gamblers can resort to illegal activities to obtain money for gambling. It is estimated that 10% of problem gamblers and two thirds of those who are receiving counselling have committed a crime because of their gambling. The first gambling-related crime is often perpetrated in the same year as, or just a few years after, starting regular gambling.<sup>1</sup>

Gambling crime can be divided into four categories:

- Illegal gambling;
- Crimes committed to support a gambling habit;
- Crimes that occur around the gambling locations;
- Family abuse.

The major motive for gamblers committing crimes is to fund their gambling activities. Gambling crime is predominately monetary rather than violent and includes theft, forgery, embezzlement, fraud, credit card scams, loan sharking, money laundering, cheating and race fixing, theft, and counterfeiting. At the extreme level it can also include domestic violence, assault, child neglect, prostitution, vandalism, breaking and entering and home invasion. A significant amount of the crime related to gambling is not reported to authorities.

***“The number of people seeking counselling following the commission of a gambling-related crime has risen from one every two weeks to one a day. Most people have defrauded either their employer or a family member”***

*Australian Productivity Commission 1999*

The Productivity Commission's 1999 Report into Australia's Gaming Industries suggested the following gambling offending cycle:



A 2008 New Zealand study<sup>2</sup> on the impacts of gambling found that 1.3% of the people who said they had committed illegal activities did so because of gambling (this equates to nearly 10,000 people). Of these, over 25% said they would not have committed the crime if they had not been gambling.

A recent AUT study<sup>1</sup> found that 55% of gambler participants reported thinking about doing something illegal to obtain money for gambling, while 41% actually

performed a crime. As many as 70% borrowed money without permission in order to gamble. Of the gambler respondents 63% reported a connection between their crimes and gambling. They also reported illegal activities such as dangerous driving while very tired after gambling and undesirable behaviour such as prostitution to obtain money. Most gamblers who committed offences did so to chase their losses. The study highlights the importance of identifying problem gamblers who are at risk of committing crimes to support their gambling, and encouraging them to seek help from agencies before they offend.

A study of offenders in Australia found that, of those who reported problem gambling, 26% admitted that it had contributed to their offending, and 46 percent said they had obtained money illegally to pay for gambling or related debts.<sup>3</sup>

Warfield's study<sup>4</sup> was based on an extensive review of online reports of 528 legal judgements of 12,662 criminal offences heard in Australian courts. It revealed that in the past ten years more than a quarter of a billion dollars may have been lost to fraud related to gambling, most of which was never recovered. Around 12% of crimes involved amounts in excess of \$1 million; another 2%, amounts of over \$5 million. In general, gambling-motivated frauds were undertaken for relatively short durations (more than 62% lasting for less than one year), but 24% lasted for at least three years (10% lasting for more than five years). Frauds included defrauding of the government, falsification of



accounts, forgery, fraudulent misappropriation, stealing as a servant, and use of false documentation. Of offenders prosecuted for gambling-motivated fraud, more than 58% were male, and most (65%) were between 31 and 50 years of age. The most likely victims were employers (67%), but the largest amounts were stolen from state governments (an average of nearly \$3.8 million per state government) and from clients of financial advisers, accountants and solicitors (an average of \$A1.45 million). The misappropriated money was used to fund a pokie problem in more than half (56%) of the cases (the average amount stolen, nearly \$A65,000).

Records from the Florida Council on Compulsive Gambling 24 Hour HelpLine in 2008 and 2009 revealed that:<sup>5</sup>

- Almost one in every three callers (30%) admitted to committing illegal acts to finance their gambling, committing crimes that are linked to money.
- Almost two out of three callers (62%) reported committing fraud, writing bad checks or forgery.
- One out of five callers (21%) stated they had embezzled money from their employers.
- One out of five callers (21%) claimed to have committed larceny or theft against friends, family members or strangers.
- One out of 14 callers (7%) stated they had been involved with other illegal activities such as selling drugs, prostitution, illegal gambling (booking) and others.

## Alternative sentencing: the Gambling Court model<sup>6</sup>

Judge Mark G. Farrell created a Gambling Treatment Court in Amherst, NY. It is modeled on specialist drug courts and serves as a rehabilitation-focused alternative to the traditional criminal justice system. These special courts are given the responsibility to handle cases which provide offenders with comprehensive supervision, treatment services and immediate sanctions and incentives, instead of a jail sentence.

The key difference between the traditional system and gambling treatment court is that, with the treatment approach, they prove early intervention. This "therapeutic justice" model for gamblers means that defendants have to first plead guilty and waive all their constitutional rights, including the right to plea-bargain. If they make it through the program, all charges may be dropped. But, if they miss a weekly therapy session, they go to jail for a week. If they miss a court appearance or violate the terms of their contracts with the Gambling Court, they are returned to regular criminal court and go to prison for a felony.

It is a multi-faceted treatment program that incorporates a broad range of services, including individual and group therapy, debt counselling and more. The program takes about eight or nine months to a year to complete. After starting the program, gamblers must return to the court room weekly to report their treatment progress to Farrell, with visits becoming less frequent as they progress through the program. A gambler who successfully completes the gambling court program is often met with reduced or suspended jail time and reduced fines or fees.

A KPMG survey in 2008 showed gambling had become the second largest motivator of fraud in New Zealand, and the average value of money taken by a gambling fraudster in New Zealand was \$81,702. In Australia gambling is the largest motivator of fraud.<sup>7</sup>

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