



**Consumer  
Focus**  
Campaigning for a fair deal

# Consumer Focus submission to the National Lottery Commission on Camelot's application to offer ancillary services through National Lottery Infrastructure

# Introduction

Consumer Focus welcomes the opportunity to submit evidence to the National Lottery Commission (NLC) in respect of the proposal to use National Lottery infrastructure to provide ancillary commercial services.

Consumer Focus is the statutory consumer body for Great Britain, and in Northern Ireland, for postal consumers. We have specific statutory requirements in respect of energy and Post Office consumers. This is our primary interest in respect of the application from Camelot to offer commercial services.

We recognise that the primary objective of the NLC's consultation is to assess, if the Commission was to consent to the ancillary services proposal, the implications in respect of competition and EU law. However, the application also raises a number of wider social, commercial and consumer implications. The Commission should be aware of, and should actively consider these factors, when deciding whether to grant the ancillary services application.

This submission raises a number commercial, social and consumer implications, with particular reference to the following areas highlighted in the NLC document setting out the terms of reference for the Commission's decision<sup>1</sup>:

- the impact on National Lottery brand and reputation, including safeguards that should be put in place if the Commission decides to grant the application
- the impact on National Lottery service delivery, including impacts on players and retailers
- potential implications for the proposed returns to good causes

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<sup>1</sup> National Lottery Commercial Services: the Approach Taken by the National Lottery Commission

## Access to bill payment services

Consumer Focus supports measures that provide consumers with the widest possible access to, and choice in, bill payment services. In this respect, we welcome Camelot's proposal on an outline basis. We anticipate that the additional competition in the bill payment sector is likely to drive lower transactional costs and, in turn, deliver price benefits for consumers. The initial plans focus upon independent retailers, but the overview document suggests the ability to offer ancillary services would be open to all retailers.

In the short-term, the reach of the Lottery network could potentially provide for a significant expansion of the number and location of bill payment facilities, including in areas that are poorly served by existing facilities. However, it is clear that in the medium to long-term, the introduction of bill payment services through the Lottery network would be likely to significantly impact upon existing bill payment providers, and the bill payment market more widely.

In the long-term, the introduction of bill payment services through the Lottery infrastructure could negatively impact upon the location and distribution of existing bill payment facilities. This would particularly affect rural areas and lead to a disproportionately adverse impact on existing providers and consequently reduced existing competition. This could also result in changes to the portfolio of bill payment services currently offered in a specific location or premises, with inevitable but highly localised implications for consumer choice.

In order to mitigate such risks, Consumer Focus recommends that the Commission should only grant the application if it commits Camelot to undertake a market and consumer impact assessment. This should take place 12-18 months after bill payment services are first introduced.

The Commission should also require Camelot to undertake separate clearance procedures, should Camelot seek to extend the reach of its commercial services offering, for example to supermarkets or other multiple chains. This would enable the Commission to determine, through consultation, the likely impacts of a further rollout, in particular on consumer access to bill payment facilities, consumer choice, and on small retailers which could be directly affected by the proposals.

In deciding whether to grant the application, and being mindful of the impact of the Commission's decision on the Lottery brand and its reputation, the NLC should require that Camelot offers ancillary bill payment services without requiring premises offering its bill payment services to commit to exclusivity clauses or other contractual restrictions. It should be for individual retailers to determine whether they offer an expanded range of bill payment services through Lottery infrastructure. Many already offer services through PayPoint, PayZone or the Post Office and will therefore be bound by the bill payment exclusivity or restriction arrangements which already apply in respect of these contracts.

While other operators continue to require commercial exclusivity, we are concerned about the implications for consumer choice if retailers were obliged to choose between continuing to operate National Lottery services, bolstered by additional bill payment contracts and being required to suspend bill payment services through their existing contracts, because of exclusivity arrangements.

In determining whether to proceed with the application, the Commission should recognise that the availability of bill payment and other services is of particular importance to consumers during evenings and weekends, for example for consumers who rely on access to bill payment facilities to purchase credit for gas or electricity prepayment meters. Forthcoming Consumer Focus research demonstrates that evening access is particularly important for energy prepayment customers, many of whom purchase credit on a 'just-in-time' basis, and who may therefore suffer self-disconnection to their energy supply if bill payment services are unavailable during evening and night-time periods.

The Commission should therefore seek further information on the proposed opening hours and availability of its bill payment services, and should publish this information as part of its decision document outlining whether the application is to proceed. Given the potential implications for the location and distribution of bill payment facilities, the Commission should also commit to examining the availability and opening hours of the bill payment service. This should form part of the 12-18 month consumer impact assessment set above.

Consumer Focus would be happy to assist or advise on the form this proposed consumer and market impact assessment could take.

## Impact on the Post Office network

The expansion of Camelot into the bill payment network could have a significant impact on the viability of the subpostoffice network. According to the National Federation of SubPostmasters, bill payment is an important revenue stream for subpostoffices, both through direct income and through footfall, with many consumers using the Post Office to pay bills or purchase credit, and then spending money on other services while in-branch.

While approximately 4,300 post offices currently offer National Lottery services, Consumer Focus is concerned that the introduction of bill payment services should not undermine the viability of the remaining Post Office network. The availability of bill payment services through a significant number of additional outlets would clearly be good for consumer choice, but this should not be at the detriment of Post Office branches that offer a wide range of services of general economic and consumer interest. Post Offices offer access to cash, pensions and benefits, postal services, Government services and an increasing range of financial products.

In respect of the viability of the Post Office network, it is particularly important that the Commission requires Camelot to seek separate regulatory approval if it seeks to expand its commercial services offering to other multiple chains and supermarkets. Research undertaken for our predecessor body suggests that an increasing number of consumers undertake post office transactions where they work or shop, not necessarily using the option closest to where they live. Further research would therefore be needed to assess whether the impact of offering bill payment services through supermarkets and other major chains could have a significant negative impact on Post Office branches, in respect of direct transactions but also associated and secondary footfall.

The Commission will want to satisfy itself that the introduction of Lottery ancillary services will not significantly undermine the viability of post office branches, and it is for this reason that we encourage the Commission to commit to a 12-18 month consumer impact review. Any reduction in the viability of Post Offices associated with the introduction of Lottery bill payment services could have a negative impact on the brand and reputation of the Lottery. It could also reduce the viability of premises which currently offer Lottery services.

As the statutory body for Post Office consumers, Consumer Focus will seek assurances from both Camelot and Post Office Ltd that the introduction of a Lottery-based bill payment service will result in a reliable service for consumers.

It is important that Camelot is able to demonstrate that the technology and kit necessary to offer bill payment and other ancillary services is sufficiently robust, and therefore that service outages or other disruptions will be kept to an absolute minimum. Consumer Focus would also expect Camelot to demonstrate that, in the event of service interruption, it has well-developed, rigorous technical support and contingency arrangements in place.

Camelot should also demonstrate that its equipment is capable of processing transactions promptly, and therefore provide reassurance that customers undertaking bill payment or other post office transactions will not face delays or longer queues. Queues or service interruptions could reduce overall customer satisfaction in the premises concerned. If replicated across a significant number of branches they could have consequential impacts on the standing and brand reputation of the Lottery and potentially impair the sale of Lottery tickets and negatively impact upon the money raised by the Lottery for good causes.

### **Additional ancillary services**

Consumer Focus recommends that the Commission requires Camelot to seek separate regulatory clearance should it seek to introduce additional ancillary services at a later date. There are a number of additional products and services other than those specified in Camelot's application which could feasibly be offered through National Lottery infrastructure, using existing technology, bolt-ons or upgrades to existing kit. It is therefore appropriate that future applications offer additional services should be considered on their own merits, and that the Commission should require a consumer and market impact assessment against each application.



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Published: May 2010

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