

Winning big

With increasing scrutiny of fundraising methods, charities have been looking for new approaches.



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Molly Carew-Jones and Hannah Lyons explain what's involved in running a society lottery

One area of fundraising where we have seen a marked increase in activity is society lotteries – giving donors an opportunity to support a cause that they care about, as well as the chance to ‘win big’. Under the Gambling Act 2005, lotteries can only be run for good causes. A society lottery is a lottery that is promoted for the benefit of a non-commercial society, which includes charities as well as other not-for-profit organisations.

Before moving into a world of tickets, draws and prizes, there are a few key points that charities should consider:

■ Are you running a lottery?

The definition of a lottery includes more than your typical ‘weekly draw’. The Gambling Act defines a lottery as any activity where there is a requirement to pay to participate and one or more prizes are awarded by chance. This catches raffles as well as other games where skill is not required to win.

If a charity wants to offer its supporters the chance to win a prize, a lottery is not the only option available and there are ways to structure prize draws to make sure they fall outside of lottery regulation, for example by introducing an element of skill or having a free route of entry.

■ Do you need a licence?

Large society lotteries (as defined by the Gambling Act) need a Gambling Commission licence. Smaller lotteries are required to register with the relevant local authority. There are also various exemptions that allow certain lottery activity to take place without a licence, for example where a raffle is incidental to a charity dinner or a school fête. However, it is important that the charity is able to meet all of the requirements of any such exemption.

■ Which entity should hold the lottery licence?

Consideration should be given as to whether a lottery licence is best held by the charity or a trading subsidiary. Housing the licence within a subsidiary can help to isolate risk for the charity and can also manage potential VAT complications.

■ How are society lotteries regulated?

The rules relating to society lotteries are set out in the Licence Conditions and Codes of Practice (LCCP). The LCCP contains various caps on lottery income, expenses and prize funds, as well as rules designed to ensure responsible gambling and ongoing requirements to report to the Gambling Commission. Charities must ensure that they have appropriate procedures in place to comply with the LCCP or engage a licenced External Lottery Manager to take over these functions.

Recent changes to the LCCP

The LCCP is updated by the Gambling Commission from time to time and since April 2018, charities that operate society lotteries have been required to:

- make it clear to supporters before they buy a lottery ticket exactly which charity the lottery proceeds are going to; and
- publish what proportion of money raised from lottery ticket sales in the previous year was applied directly for the purposes of the society.

Charities can comply by including the relevant information in the charity’s annual report, on the lottery page of its website or by using any other means appropriate to the size and scale of the organisation. Organisations operating multiple lotteries under a shared brand will also need to make it clear to the public (on both advertising and lottery tickets) which society is benefitting under each draw.

As with all fundraising activity, these changes reflect a movement in the sector towards greater transparency.

Find out more

Gambling Commission guidance on society lotteries: <http://live-gamblecom.cloud.contensis.com/PDF/Promoting-society-and-local-authority-lotteries.pdf>

LCCP: <http://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/LCCP/Licence-conditions-and-codes-of-practice.aspx>