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## Lottery fraud: Nothing new under the sun

**Peter Shears**

Affiliation: University of Plymouth, Plymouth, England, E-mail:

Peter.Shears@pbs.plym.ac.uk

*For correspondence: Peter Shears, Director of Professional Studies, Department of Accountancy & Law, Plymouth Business School, University of Plymouth, Drake Circus, Plymouth PL4 8AA, England. Tel 01752 23 28 22 (desk), Tel 01752 23 28 55 (message), Fax 01752 23 28 62, E-mail: Peter.Shears@pbs.plym.ac.uk*

*Peter holds two degrees from the University of London, one from the law school at the University of Georgia and a postgraduate certificate in radio, film and television studies from the University of Bristol. He is director of professional studies at the University of Plymouth, having been head of law for a decade.*

*A consultant, lecturer and broadcaster on consumer affairs in general, Peter has written a dozen law textbooks. He is an external examiner for several U.K. universities and a visiting scholar at European universities and in the United States. He represents the U.K.'s department of trade and industry in a number of capacities within the Council for Licensed Conveyancers and is one of 20 facilitators within the DTI's Consumer Support Networks initiative. He is active in several contexts within the National Consumer Federation.*

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Dianne Thompson, the chief executive of the Camelot Group, recently reminded us that we have one chance in 14 million of winning the Lottery jackpot, and that even with the shiny new product they have launched we would be “lucky to win a tenner.” As a frank statement it ranks among many. It was difficult to dampen the echoes of the Royal Bank of Scotland deputy chairman George Mathewson commenting a year ago that his 750,000 bonus was not enough to buy “bragging power in a Soho wine bar”; the marketing chief of Topman calling his customers “hooligans” and pointing out that they only wear a suit for their first interview or their first court appearance; and, of course, (surely the most famous gaffe in corporate history) when Gerald Ratner joked in 1991 that one of his (then) firm's products was “total crap,” and boasted that some of its earrings were “cheaper than a prawn sandwich.” This “foot in mouth” disease is fun for the rest of us, but it

rarely disguises the truth. Thompson went on to say that the original slogan, “It could be you,” had given false hope to players. “Eight years later, people have realised that, though it could be you, it probably won't be.”

Lotteries have something of a history. In the Bible (Numbers 26:56), Moses used a lottery to award land west of the River Jordan: “according to the lot shall the possession thereof be divided between many and few.” It must be conceded, however, that “lots” were cast for divine guidance, not to gamble. We do not play lotteries to seek guidance, nor to make a donation to charities. We play for money. The outcome is nothing less than a matter of chance.

In 100 BC the Hun Dynasty in China created keno. Funds raised by lotteries were used for defence, primarily to finance construction of the Great Wall of China. In 1446 the widow of the Flemish painter Jan Van Eyck held a raffle to dispose of his remaining paintings. In 1567 Queen Elizabeth I established the first English state lottery. The prizes included cash, plate and tapestry, with 400,000 tickets offered for sale. In 1612 James I, by royal decree, created a lottery in London. The proceeds were used to aid the first British colony in America in Jamestown, Virginia. (Anglican churches held two of three winning tickets for the first draw.) Westminster Bridge was built from the proceeds of lotteries in the 1730s and 300,000 was raised to build the British Museum in 1753. Unlike modern lotteries, the draw was in two parts: a number was drawn from one container, then a ticket allocating the prize from another.

Lotteries were enormously popular in the 17th and 18th centuries. From 1769 to 1826, 126 state lotteries were held. They were promoted by torchlight processions in the street. Bulk purchases of tickets were made and resold at considerable profits (and governmental revenue losses). Side bets on the chances of particular tickets (called “insurance” bets) were common. Naturally, counterfeit tickets abounded.

A lottery is a taxation,  
Upon all the fools in Creation;  
And Heav'n be prais'd,  
It is easily rais'd,  
Credulity's always in fashion;  
For, folly's a fund,  
Will never lose ground,

While fools are so rife in the Nation. [1](#)

However, by the beginning of the 19th century, public interest in lotteries had diminished somewhat. They were considered by some to be “common and publick nuisances.”[2](#) In 1807 William Wilberforce and Henry Thornton began to advocate abolition. Pollock[3](#) notes that after the abolition of the slave trade on February 24, 1807, Wilberforce turned to his friend and asked, “Well, Henry, what shall we abolish next?” The reply was: “The Lottery, I think!”

In 1808 a Committee of the House of Commons enquired on reforming the law. They reported:

“In truth, the foundation of the lottery is so radically vicious, that your Committee feel convinced that, under no system of regulation which can be devised, will it be possible for Parliament to adopt it as an efficient source of revenues, and at the same time divest it of all the evils and calamities it has hitherto proved so baneful a source. ... No mode of raising money appears to your Committee so burdensome, so pernicious, and so unproductive; no species of adventure is known, where the chances are so great against the adventurer, none where the infatuation is more powerful, lasting, and destructive.”[4](#)

On July 9, 1823, Parliament set[5](#) the abolition for 1826, and the last draw was made on October 18 of that year.

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## Lottery scams

And then 168 years later, in November 1994, a state lottery once again became part of our lives. We know the odds against winning in the Camelot lottery — and we didn't need to be reminded by Dianne Thompson.

It is tough enough to win a thing — but there are ways of being absolutely certain to lose. On July 9, 2001, the Royal Canadian Mounted Police asked the Federal Deposit Insurance Corporation in the United States to circulate to their institutions an alert about a Canadian lottery telemarketing fraud. (A similar alert had been published on November 16, 2000.) The fraud involved worthless, counterfeit certified cheques of up to \$12,899 sent to people across the United States as partial payment of winnings in the Canadian lottery. The recipient was advised to deposit the cheque and return a portion — by cheque or wire transfer — to cover a “non-resident tax” for the customs department. If they did, of course, that money would be “kissed goodbye.”

Two days later, in Omaha, Nebraska, it was reported that consumers were being called and told that they had won in a Canadian \$1,000,000 lottery and all they

needed to do is pay the \$10,000 “taxes” to claim the winnings. U.S. Federal law prohibits mailing payments to purchase any ticket, share or chance in a foreign lottery.<sup>6</sup> Here, individuals were asked to send a cheque in a plain envelope by courier, but not tell the courier what was being sent.

On December 5, 2002, two people in the state of Maine reported losing large sums of money to scam artists operating from Canada. One was convinced to send \$1,500 to Westmont, Quebec, as the “taxes” on a large lottery prize he had won. Another sent in \$1,000 to a firm called “McKinley and Associates,” supposedly located in Montreal. She had been convinced that she had won a \$100,000 lottery and that a courier was on the way to Maine to deliver the money. Why did she pay \$1,000? Because the courier could not carry such a large amount of money unless bonded. They told her the lottery cheque was due to expire in a day or two and she had to act quickly. The consumer wired the \$1,000 through Western Union. By now the Canadian authorities had set up a hotline.<sup>7</sup>

In San Diego last March, telephone calls were made by a man who introduced himself as a Canadian customs agent announcing good news. Two \$15,000 cheques had been won on the Canadian National Lottery. The customs agent said all that was required was to pay a small duty of 10 per cent. In one of the cases reported, the person became suspicious. The caller noticed this and said that, if \$3,000 was too much, he could lower the duty to \$1,000 to be paid through Western Union to Montreal. Five further calls were made to that victim that morning. A pattern of “friendly congratulation and persuasion” was emerging.

In April the police in Appleton, Wisconsin, warned of an “elaborate scam” involving telephone calls by someone claiming to be a U.S. customs agent and passing on congratulations for having won \$100,000 on the Canadian lottery. The money will arrive, it was said, in six to eight hours, if \$3,000 is sent for the excise tax. A number given to verify the caller was a customs agent who answered, “U.S. Customs”!

So it was that on May 9, reports began of calls to consumers in the U.K. from Canada. They had been given free entries into the Canadian National Lottery — all very fine. Then a couple of weeks later there was another call announcing that a huge prize has been won — usually around 200,000. The only snag is (yes) that tax has to be paid. It seems that some consumers are more than 40,000 down. Trading Standards Departments around the country are issuing warnings. The police and the OFT<sup>8</sup> are already handling more than 500 complaints. Naturally, these are the people who have had the nerve to put their hands up. What size should we give to this iceberg? It is believed that the victims are all on Internet mailing lists from other competitions they have entered. These things are commodities in themselves; they are called “sucker lists.”

If all this were not enough, there is no such thing as the Canadian National Lottery! They have Lotto 6/49, Lotto Super 7, Tag in Atlantic Canada, Extra in Quebec and British Columbia, Encore in Ontario and Plus in Western Canada, but no National Lottery.

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## Nothing new

Just as lotteries have been around for centuries, so have the lottery conmen — the Sultans of Sting. Probably the finest example that the U.K. ever produced was Horatio Bottomley.

From this distance in time it is difficult to imagine his equal — Robert Maxwell? (Well, Bottomley was much shorter but he certainly had the circumference.) He, too, was an MP (famously advocating a National Lottery), a gifted journalist and orator and he owned newspapers and magazines which he used as soapboxes. Perhaps, a Jeffrey Archer? Well, Bottomley's antics were much, much worse, yet he, too, was something of an egoist and a popular hero. George Robb, in his book *White Collar Crime in Modern England* (1992) wrote: “Bottomley outlived many a scandal through sheer force of personality. He was a genuine working class hero, cultivating an air of impudence and addicted to horse racing, show girls and champagne.”

Bottomley was born in 1860 in Bethnal Green. His father was a tailor's foreman and died when his son was only three. When he was nine, his mother also died and he was placed in Sir Josiah Mason's orphanage in Birmingham. He left at 14 and worked in solicitors' offices back in London. He learned his Layman's Lawyer's skills there. There is little doubt that he was the finest of that kind in his time. He made and lost several fortunes. Between 1891 and 1909 he had 67 petitions for bankruptcy served on him. He was involved with the promotion of a number of bogus companies during the Australian Gold Rush of 1892. In 1912 he was MP for South Hackney (for the first time) but went bankrupt (for the first time) and consequently had to resign his seat. It was at that time that his attention shifted to sweepstakes, lotteries and other scams.

The primary vehicle for these moneymaking schemes was his magazine *John Bull*, which he had established in 1906, the year he first entered Parliament. It was very much a precursor to the Sun newspaper. At its peak, its circulation was almost two million. The first scheme appeared in May 1912 when, now relieved of parliamentary duties, he launched a competition called Bull's Eyes — “hit the Bull's eye” was the challenge. It seems that one had to write a quip on a given subject, sending in a sixpenny postal order with each entry. Bottomley's biographer Julian Symons gives the example: “We hear that Gillow is not Waring well.” Anyway, nobody won more than 50, a little short of the promised prize of 500, and the

competition was dropped. It was replaced with Bullets, another word game, in which a phrase was given and the answer had to contain letters from it. Again, 500 prizes were offered and 6d was the entry fee. Soon, simpler stuff appeared: 2,500 for predicting cricket scores, and the same for the results of 20 football matches. The honesty of these promotions was challenged. Libel action followed and one of those wonderful “one farthing” damages awards followed. Lotteries were, of course, still illegal in England but there was a fashion (also probably illegal) of sending money to sweepstakes operators in other countries, and so Bottomley started looking for offshore potential.

There was considerable interest in sweepstakes on horseraces which were run from Lucerne in Switzerland. In February 1915 the John Bull Derby Sweep was announced. The first prize was set at 5,000 but it was later raised to 15,000. The horse that was first past the post that year (Craganour) was disqualified and the race was awarded to Aboyeur. The sweep paid out on both. Hundreds of thousands of people had entered. The books of tickets sold at 10 for 1. Bottomley also ran what he called a “remnant” sale, where 250,000 “extra” books of tickets were sold at three for five shillings. These were marketed with envelopes of a different colour. That became important for it has been suggested by Symons that all the remnant money went no further than Bottomley himself. He ran the sweep from Geneva, where, every few hours, sacks of remnants were collected from the post office. There were wicker baskets full of postal orders, bank notes, silver and gold. In the sweep the total prize fund was 15,000 and it is estimated that the money received exceeded 270,000. Even allowing for expenses, it was quite an “earner.”

Before the draw, Bottomley had been summoned before Bow Street Magistrates, charged with promoting a lottery. Bizarrely, the magistrate (Curtis Bennet) neither convicted nor dismissed but declared the matter (which he called “an offence under an antiquated law”<sup>9</sup>) closed, upon Bottomley paying 10 guineas and costs.

The next year, 1914, saw the Grand National Sweep. This time all the likely horses were assigned to friends and acquaintances but the race was won by Sunloch, a rank outsider. The net proceeds were much diminished. There followed a sweep on the F.A. Cup with a huge promotional mailing of 250,000 circulars. They were sent in hampers on trains across the network from Aberdeen to Plymouth and then put in post boxes by teams of local employees. This worked well until a sharp-eyed detective in Plymouth took the necessary steps towards prosecuting to conviction one of Bottomley's colleagues, Houston, with “conspiring with some person unknown to promote a lottery.”

The biggest scam before the outbreak of the war was the 1914 John Bull Derby Sweepstake. The magazine carried a photograph of a cheque for 50,000, which

had been deposited for the prizes. It was, however, withdrawn a week later, without the same publicity. There was so much mail being delivered in Geneva that the police set up across the street to observe. Those assisting Bottomley became so nervous that they agreed to his suggestion that the draw be conducted by him and some friends on a boat out on the lake. The evidence suggests that most of the proceeds eventually found a home in his bank accounts. There followed equally questionable activities, this time in Lucerne, based upon the 1914 Royal Hunt Cup, the Stewards' Cup at Ascot and also on the St. Leger.

Bottomley had been adding further strings to his crooked bow. In 1915, again using the pages of *John Bull*, he had invited readers to join the John Bull War Loan Club. They were to send in money (to Lucerne). He would buy War Loan Stock and the interest was to be distributed by means of a draw. Tragically, the postmaster general returned most of the letters and subscriptions as being part of a lottery. Come 1918, however, he set up the Premium Bond Scheme for buying War Savings Certificates, again where the interest would form draw prizes. He promised to supervise the draw himself. Symons writes that estimates have been made that the amount subscribed was between 100,000 and 250,000, but that the nature and extent of the payout remains unknown. All of this fades into insignificance in the light of the greatest sting of all — the Victory Bond Club.

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## The Victory Bond Club

The euphoria and national pride at the end of and immediately after the First World War provided Bottomley with the perfect medium within which to do his work. The government had issued a Victory Loan. It seemed something like a national duty to subscribe, but the bonds cost 5 — beyond popular reach. Bottomley was on hand to assist. The public were invited to send him just 1 for a one-fifth share in bonds he would buy. Again, the accrued interest would be prizes in a draw. A cartoon in the magazine declared, "If you can't afford that, Jack, have a quid or two in this."

Thousands of registered letters arrived every day at his King Street headquarters. These subscribers were supposed to receive personalised tickets, but that system was soon revised to generalised certificates that the holder had a ticket in the Victory Bond Club and was entitled to one entry in the annual draw. The office management was, put mildly, chaotic. Money and books of tickets were strewn about the place. There were piles of various and unsorted correspondence four and five feet high. Security was, put equally mildly, lacking. Yet the police were outside, controlling the queues of ordinary, trusting people, bringing in 100,000 each day. Further, those involved in Bottomley's earlier "share" schemes and dissatisfied with their treatment were issued these certificates, too. Forgeries became common. Demands for the promised return of invested money became confused with new subscriptions. Many payments were made several times over,

and on forged paperwork. There is little doubt that the staff took the usual advantage of any enterprise dealing mostly with cash. Bottomley bought bonds at a nominal 500,000 but at 85; however, he had to sell some to placate angry members at a time when the market price had fallen to 75 — a rare loss.

After six months, in January 1920 he announced to a meeting of subscribers at the Cannon Street Hotel that the assets of the club were to be invested into a new Thrift Prize Bond Club, to be based in Paris. Incidentally, at the meeting he stated these assets to be 500,000 in government bonds. However, he had already used 100,000 of them to buy himself controlling interests in two newspapers.<sup>10</sup>

There does seem to have been a prize draw. According to Symons, discs were strewn across the office floor to represent the entrants. The lights were turned out and Bottomley chose the winners by candlelight. There were 1,659 winners. The prizes varied from 10,000 to 10 but only winning numbers were published, no names.

Perhaps, inevitably, these activities finally led to his being convicted (the jury took 25 minutes) in May 1922 (at the age of 62) of “fraudulently converting to his own use sums of money entrusted to him by members of the public” (“callous frauds,” said the judge) and sentenced to seven years penal servitude. He was released after five.

Bottomley's story gradually fades to black. He was re-elected to Parliament in 1918 but made little impression. He was involved in a new magazine, *John Blunt*, but it limped to failure. He even embarked on bizarre lecture tours at home and abroad. As he grew older, he seems to have increasingly confused fame, indeed notoriety, with power and ability. He gradually lost the pace of the race.

He died on May 26, 1933, at the age of 73, a frail and poor man. He was cremated at Golders Green Cemetery. One story is widely quoted. He was serving his time working on the mailbags in Wormwood Scrubs. A prison visitor asked: “Sewing, Horatio?” “No,” he replied, “reaping.”

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## Notes

<sup>fn1</sup> A song from *The Lottery*, a farce by Henry Fielding which was first performed on the 1st of January 1732, at the Drury Lane Theatre, London, (cited: [www.christian.org.uk/html-publications/nlottery.htm](http://www.christian.org.uk/html-publications/nlottery.htm)).

<sup>fn2</sup> J. Ashton, *A History of English Lotteries*, Leadenhall Press, 1893, p.51.

<sup>fn3</sup> J. Pollock, *Wilberforce*, Oxford: Lion, 1986, p.212.



<sup>fn4</sup> 2nd Report from the Committee on Laws relating to Lotteries, 1808.

<sup>fn5</sup> 1 & 2 Geo 4 c.120 (see: Allport v. Nutt, 1 C.B. 974; Gatty v. Field, 9 Q.B. 431).

<sup>fn6</sup> 18 U.S.C. 1301, Importing or transporting lottery tickets; 18 U.S.C. 1302, Mailing lottery tickets or related matter.

<sup>fn7</sup> Project Phone Busters in Ontario (1-705-494-3624).

<sup>fn8</sup> At euroteam@oft.gsi.gov.uk.

<sup>fn9</sup> Julian Symons, Horatio Bottomley, The Cresset Press,

<sup>fn10</sup> The Sunday Evening Telegram and the National News — both doomed to failure.1955, p.144

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- Opinion: Shears