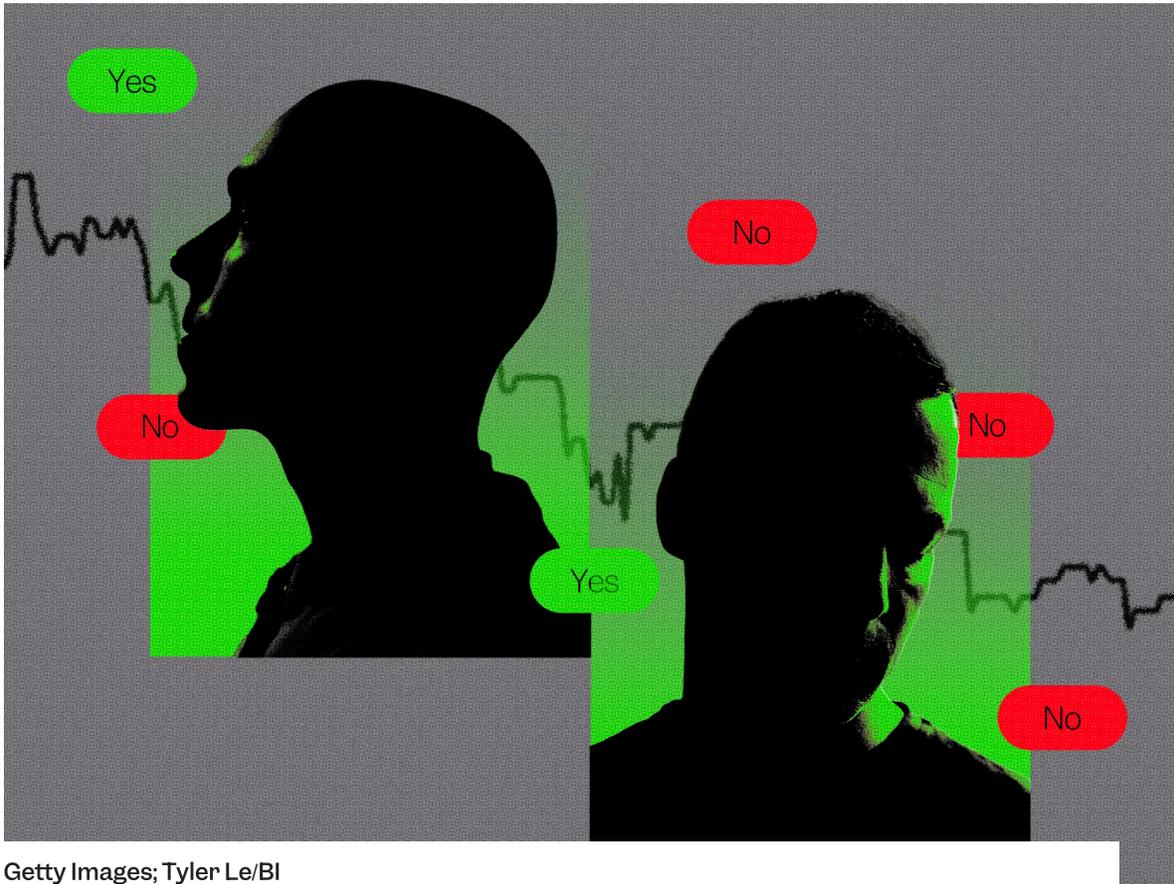


TECH

'Bam, everything's gone': Two young men describe losing thousands on Kalshi and Polymarket

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Feb 19, 2026, 4:24 AM CT

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Prediction markets have exploded in popularity in recent years.

Two young men who lost thousands of dollars shared their stories with Business Insider.

Experts said that the platforms' lack of guardrails increases the potential risk to millions of Americans.

Lorenzo Miro San Diego first learned about Polymarket after seeing the prediction market on an episode of "South Park" last fall.

His first wager: \$498 on the University of Houston beating Oregon State in a college football game. He netted more than \$100 after the odds shifted further in Houston's favor.

For the next two months, things didn't work out as well. He lost money, on net, on a series of bets related to professional football and basketball. He also began dabbling in cryptocurrency price movement wagers — and lost money on those, too.

In total, he lost more than \$1,700.

"I wasn't able to set any virtual limits," San Diego told Business Insider. "Unlike sportsbooks that I can visit when I'm in an area where they are legal, there was a lack of control and tools to be transparent for how much I could lose."

In February, San Diego filed a lawsuit against Polymarket in hopes of recovering his losses. He said he managed to stop on his own accord, partly by switching his sports bets to an app where he doesn't use real money.

He's not the only person to have lost a significant amount of money on a prediction market. And as courts, lawmakers, and regulators debate what limits to put on sites like Polymarket and its chief competitor, Kalshi, problem gambling experts say their lack of guardrails increases the potential harm to millions of Americans.

"It's a huge distraction, and I don't think it's a healthy distraction," said Susan Sheridan Tucker, a former stockbroker who leads the Minnesota Alliance on Problem Gambling, of prediction markets. "Particularly if you don't understand how these markets work, you can get yourself into a lot of trouble."

K.A., a 24-year-old engineer from Virginia, sank more than \$10,000 into Kalshi during an eight-day stretch in late December, according to screenshots he shared with Business Insider.

After initially limiting himself to small bets on Counter-Strike, a shooting game he played that's popular among e-sports fans, he began staking more than \$1,000 at a time on the outcome of NBA games and tennis matches. He also took out thousands of dollars in loans, he said, so that he could wager more, chasing his losses until he cut himself off.

"There'll be a big winning streak at the beginning, which happened to me — then bam, everything's gone," he said.

Growing awareness of the problem

Daniel Umfleet, the CEO of the telehealth company Kindbridge Behavioral Health, said problem-gambling treatment providers have only just begun to try to tease out their patients' use of prediction markets from financial activities like day-trading cryptocurrencies or stocks.

"We are seeing more of it, but it's not like we're seeing it coming through like it's a tidal wave, or a dam has burst," he said.

The National Council on Problem Gambling has estimated that about 2.5 million adults in the US could be diagnosed with severe gambling addiction, and 5 to 8 million more meet some criteria. Most never seek treatment.

Problem gambling poses a special threat to young men, many of whom initially seek help because of pressure from a spouse or parent, Umfleet said. Some compulsive gamblers have other mental health issues, like anxiety or depression, Umfleet and others said.

K.A. said he thinks more young people should know the warning signs for when their use of prediction markets becomes a problem. Placing larger and larger bets, "chasing losses" with the belief that they will make their money back, and selling other financial assets to take positions on prediction markets — all of which he said he did — are red flags, he said.

The amount Americans spend on "event contracts" on platforms like Kalshi, Polymarket, Robinhood, and [Crypto.com](https://crypto.com) is still only a fraction of what they spend at brick-and-mortar casinos and on state-regulated gaming and sportsbooks apps. As with sportsbooks, researchers have found that most users of Kalshi and Polymarket lose money.

Kalshi has disputed a report that its median user loses 7% of their balance within 90 days of signing up. Elisabeth Diana, a Kalshi spokesperson, declined to provide alternative figures, saying they vary and are between 1% and 7%. Kalshi and Polymarket have said they're fairer than traditional gambling, with Polymarket founder Shayne Coplan calling sportsbooks a "scam."

According to the American Gaming Association, gambling businesses netted more than \$71 billion in the first 11 months of last year.

Kalshi, the largest prediction market in the US, made \$263.5 million in fees last year, according to an estimate by the news website InGame. The CEO of Robinhood, a finance app that lets users buy event contracts from Kalshi and ForecastEx, has said prediction markets could eventually generate \$300 million for the company each year.

It's a fast-growing niche. Kalshi said the total volume of trades on Super Bowl-related markets on its platform was \$1 billion, 27 times higher than the year before. That's more than half of the \$1.76 billion that the American Gaming Association estimated would be wagered on the game through sportsbooks.

A lack of guardrails

The American gambling industry has grown rapidly since 2018, when the Supreme Court struck down a federal ban on sports betting.

The popularity of speculating on cryptocurrencies, meme stocks, and prediction markets by young people has been a particular cause for concern among policy experts and financial-wellness advocates.

Robinhood and other brokerages geared toward young people were accused of "gamifying" markets to drive growth during the meme-stock mania of 2020 and 2021. Critics have accused them of blurring the line between gambling and investing.

College-aged Americans in particular see gambling as something that's "so easy," said Pamela Brenner-Davis, who works on gambling addiction issues in New York.

K.A. said his first introduction to Kalshi was through TikTok. He saw one ad after another — every third or fourth video in his feed, he said, was about "how easy or accessible" it was to use the platform.

Sportsbooks have also advertised and spent heavily on promotions in recent years, surpassing \$800 million in 2021 and falling somewhat since then, according to industry-sponsored research based on Nielsen data. State regulators generally require sportsbook and casino ads to target people over 21 and mention the risks of problem gambling and resources available to help with addiction. Prediction markets aren't required to do the same.

Earlier this month, the National Council for Problem Gambling called on all prediction markets to publicize the national gambling helpline, 1-800-MY-RESET. So far, it doesn't appear that any have done so.

Kalshi has ways for users to limit their use and cut themselves off. The company also announced a partnership with a telehealth company that helps people with problem gambling and other mental-health challenges, which often co-exist.

Other event-contracts platforms do not have any such features, however.

Polymarket, whose US product is still in limited release, has no information on its website about gambling safeguards. OG, a prediction market created by Crypto.com, recently announced plans to offer "margin trading" on events contracts and leans heavily into sports imagery in its marketing. It doesn't have any information about problem gambling resources on its website, though it warns that the contracts it offers are risky and not appropriate for everyone.

Polymarket and OG didn't respond to requests for comment.

Some prediction markets take issue with the use of the term "wagering" or "betting" to describe what users do on their platforms. They have resisted efforts by state governments to regulate their activities and have described their products as swaps or futures, which are financial instruments subject to regulation by the federal Commodity Futures Trading Commission.

The National Council for Problem Gambling told the CFTC last year that "betting on futures is functionally gambling" and expressed concern that anti-addiction safeguards weren't available on prediction markets.

The CFTC's new chair, Michael Selig, has said the agency will start writing rules for event contracts. The process of writing and rewriting the rules could take anywhere from months to more than a year.

Commodities regulators "are used to regulating things like prediction market liquidity, manipulation, fair access," said Glenn Yamagata, an economist, consultant, and part-time executive director of the Oregon Council on Problem Gambling.

"They're not sort of used to dealing with mental-health issues or having things like voluntary self-exclusion," he said.

The "South Park" episode that introduced San Diego to Polymarket lampooned the regulatory uncertainty that exists in prediction markets. When a character tried to complain about a market, he was routed to the CFTC, then to another federal agency, and ultimately to the White House.

K.A. said he decided to stop after realizing he hit "rock bottom" and told his partner about the problems he was having, which he said derailed their plans to move into a nicer apartment this spring. Now he's in recovery, has uninstalled the Kalshi app, and is meeting with a therapist.

San Diego said he would tell other users: "Bet with your head, set limits, and know when to quit."

Problem-gambling professionals say more needs to be done to get the message out.

"Where there is gambling activity, there is a potential for gambling harm," said Brenner-Davis.

Have a tip? Know more? Reach Jack Newsham via email (jnewsham@businessinsider.com) or via Signal (+1-314-971-1627). Use a personal email address, a nonwork device, and nonwork WiFi; here's [our guide to sharing information securely](#).