About the charity

House the Homeless is an unregistered charity with objects to relieve poverty by providing accommodation, advice, outreach and support. The charity liaises with social services, HM Prisons and local authorities to help persons who are, or likely to become, homeless.

Why the commission got involved

In March 2014, we received a complaint alleging unmanaged conflicts of interest in relation to the charity’s founder, who owned the estate agency, On The House (‘the agency’). The concern was that the founder’s involvement with House the Homeless benefitted his private business interests. There was considerable local press interest in the charity concerning the founder’s significant role in setting up, and apparent control of, the charity operation. We therefore became involved to examine regulatory concerns surrounding the management of conflicts of interest.

Separately, the founder had applied to the commission to register House the Homeless as a charity in 2010. We considered that the objects were not exclusively charitable for the public benefit, as it was set up to help landlords find tenants. We decided in 2010 that the organisation was not capable of being registered as a charity. We therefore also needed to establish whether the objects were now charitable, and if so, should it be registered.

The charity amended its objects and was accepted as an unregistered charity by HMRC in November 2012.

The action we took

We opened an operational compliance case to consider the issues that had been raised with us. We contacted House the Homeless and asked for information to assess whether it is a charity. We also asked the trustees for minutes of trustee meetings, information regarding how they managed conflicts of interest and the links between the charity and the estate agency.

A meeting then took place with the trustees in September 2014.
What we found

We found that House the Homeless is a charity in law, in that it is now set up for exclusively charitable purposes for the public benefit. As its annual income falls below £5,000 the charity is not currently required to register with the commission.

House the Homeless operated from premises owned by the founder and were also partly used by the estate agency. The founder did not charge the charity rent but service charges were shared with the estate agency. The charity’s dedicated phone helpline was manned by an employee at the estate agency, who was also a trustee of the charity.

The founder was still listed as ‘co-ordinator’ on the charity’s website, even though he had previously stepped down and had become a volunteer instead. The founder was an ‘Authorised Official’ for HMRC purposes and therefore acts for the charity in matters of tax and finance.

We were told that the founder was the landlord of a beneficiary referred from the charity, but only as a short term measure and the rent was less than could be achieved through private rental. On The House estate agency did not charge fees to clients for referrals from the charity.

Some trustees appeared to have little experience of running a charity or knowledge of charity law, and were unaware of the personal risks associated with being trustee of an unincorporated charity. They had not fully appreciated the conflict of interest in relation to the founder’s previous involvement with the charity. The trustees accepted this had led to external criticism and they had now taken steps to manage that conflict.

Impact of our involvement

The charity has moved to a new office and has its own phone line manned by its volunteers.

The founder’s name has been removed as co-ordinator on the charity website, and the trustees now fully appreciate that they have responsibility for managing all the volunteers including the founder. The trustees have confirmed they will take immediate steps to manage the charity’s affairs including its finances.

The trustees confirmed they no longer referred any beneficiaries through the estate agency owned by the founder. As the charity had never provided accommodation, the trustees have decided to concentrate on providing other support to the homeless and decided to amend the charity’s object and name to better reflect the organisation and its activities for the future.

The trustees will need to increase the charity’s income to cover its administrative costs. Where this rises above £5,000 per annum the trustees confirmed they will apply to register the charity.

Some local media claimed we had an investigation open into the charity. This was not the case, and we made it clear to journalists when responding to their queries that we were assessing regulatory concerns. However, we acknowledge that we should have contacted the charity before reactively responding to these media queries.

Finally, we instructed the trustees to report back to us on their progress, and provide accounts for the financial year ending 30 November 2014. Their report, which should be received by us by the end of March 2015, should set out the steps taken to improve the trustees’ knowledge of running a charity and charity law, the policies adopted and financial controls introduced.
Lessons for other trustees

Often, the main focus of trustees, especially of small charities, is on the work the charity does with its beneficiaries. This is understandable. But charity trustees carry important legal duties which mean that they must balance their attention on the charity’s beneficiaries with an oversight of its governance and reputation. Guidance on these duties can be found on GOV.UK.

Trustees should not leave all transactions and charity business in the hands of one individual - whether that person is a trustee, employee, volunteer, or other connected person. They must act reasonably and prudently in all matters and must always bear in mind that their prime concern is the charity’s interests. Trustees should read our guidance on conflicts of interest and decision making to ensure they understand these issues.

Starting and running a charity is a big step - it requires hard work, patience and commitment. The commission has published new guidance on setting up a charity which it hopes will encourage people to think carefully before doing so. Many people set up charities without checking whether someone else is doing the same work and this can result in duplication and inefficiency.