



Case Report

Our Brave Heroes (unregistered organisation)

About the charity

Our Brave Heroes was a limited company registered at Companies House. The organisation applied to the Commission to be registered as a charity in July 2015, although it had already been operating for some months before applying for registration. The organisation's application for registration stated that its aim was to relieve financial hardship among former members of the armed forces who were suffering physical or mental disability, and that it intended to make grants of money or to fund counselling for its beneficiaries.

Why the Charity Commission got involved

The Commission received complaints from members of the public in April 2015, regarding fundraising activities being undertaken in the name of Our Brave Heroes. The complaints we received suggested that the organisation was being described as a charity by the fundraisers and that the organisation's Companies House registration number was being supplied by the fundraisers whenever a request was made for its charity registration number.

The charity fundraised by selling lottery tickets. The complaints we received said it was not being made clear to people purchasing these tickets from the fundraiser working on behalf of the charity that only 20% of the money from the sale would find its way to Our Brave Heroes, the remainder being retained by the fundraising company, First Promotions Ltd. We opened a case and began to look into the background to Our Brave Heroes.

The action we took

We tried to contact Our Brave Heroes by letter at their registered address to ask a number of questions about the structure of the organisation, and to give urgent regulatory advice that they should stop describing the organisation as a registered charity. When our correspondence was returned unopened we made further enquiries, and tracked the trustees to an address in Blackpool, where they had moved the organisation without updating Companies House. We asked Our Brave Heroes for detailed information regarding the way in which the organisation was set up and about their relationship with the company providing fundraising services for them, First Promotions Limited.

We conducted enquiries which revealed that the director of First Promotions was a close relative of 2 of the directors of Our Brave Heroes which raised concerns in respect of a possible conflict of interest within the organisation. We also discovered that following the resignation of one director Our Brave Heroes had operated for some months with less than the minimum number of directors required by its constitution, and the remaining directors were close relatives of each other. This gave rise to further concerns in respect of conflicts of interest and the governance of the organisation. Whilst our enquiries were ongoing, we received an application from Our Brave Heroes to register as a charity.

We arranged a meeting with one of the directors to learn more about the organisation, and to address the issues we had identified. At the same time we advised Our Brave Heroes that we would not register the organisation as a charity until we were satisfied that the problems surrounding the way Our Brave Heroes was set up and run were addressed.

The meeting allowed us to ask detailed questions about Our Brave Heroes, and the further information we received did not resolve our concerns. Shortly after the meeting we issued Our Brave Heroes with firm, detailed advice about the reforms to its governance and operating practices that would be necessary before it could be considered for registration as a charity. These included the appointment of additional trustee directors to ensure that conflicts of interest within the charity could be managed in the future; a review of the appointment of the fundraiser First Promotions, with any future appointment being made through a transparent and open process, and the implementation of a significantly improved system of record keeping, to ensure that all future decisions taken by the trustees were transparent, and the organisation was properly accountable to those who chose to donate to it.

We monitored Our Brave Heroes, and when we did not see any action that indicated that our advice was being followed, we contacted the organisation again. At the same time the organisation's website was taken offline, and an article critical of Our Brave Heroes and its fundraiser, First Promotions Ltd, appeared in the national press. We contacted the organisation again to query whether it was still operational, and to provide advice as to the steps it should take to preserve any charitable funds it had collected if it had ceased to operate.

Following a further attempt to contact the organisation, we finally received an email from a trustee to confirm that Our Brave Heroes had ended its association with First Promotions Ltd and had ceased to operate; the email confirmed that the remaining funds raised would be donated to a well-known military charity, with similar objects. This was in line with advice provided by the Commission. Over the following months we monitored the charity to ensure that the closure arrangements were adhered to, and that the remaining charitable funds (£3,562.62) were donated to a well-known military charity.

The impact of our involvement

After concerns were raised with the Commission we took action to ensure that the public were not being misled. We informed the organisation that it must register and meet the conditions of being a registered charity if it wanted to continue fundraising while referring to itself as a charity.

Our case identified and examined conflicts of interests regarding the agreements between the organisation and the fundraising company First Promotions Limited. After receiving an application to register the organisation as a charity, we continued monitoring Our Brave Heroes and issued firm advice to the organisation with the warning that it would not be able to register as a charity unless the reforms we had identified were implemented.

Following our case and continued scrutiny of Our Brave Heroes it ceased to operate. We ensured that the charitable funds it had raised when it was fundraising were protected and were passed to a registered charity to be applied in line with the donors' intentions. We continue to robustly assess registration applications to ensure that only legitimate charities are registered. The Commission continues to engage with charities where concerns are identified about agreements with third-party fundraisers and issued a **regulatory alert** to trustees in 2016.

Lessons for other charities

By law, if you set up a charity you must apply to register it with the Commission if it is a charitable incorporated organisation (CIO) or its annual income is more than £5,000, unless it is a specific type of charity that doesn't have to register. Our guidance '**How to register your charity**' sets out the steps you need to take. The Commission will take action to secure compliance if it identifies a charity which isn't registered but should be.

Sometimes, we see reason to question whether those applying to register an organisation plan to use the charity to facilitate non-charitable activities. If, after examining an application, we find we are legally required to register the organisation, but have concerns, we will monitor the new charity to make sure it is being run for exclusively charitable purposes for the public benefit.

We are vigilant: an organisation which is a sham cannot be a charity in law and will not be entered onto the register of charities. We are robust in our assessment of charitable status and will investigate any organisations where the real intention is to gain unlawful or inappropriate gain or benefit.

Working with professional fundraisers - trustee duties

Paying a specialist individual or business to raise money for a charity can bring benefits. However, to meet their legal duties, trustees must ensure that:

- these arrangements comply with the specific legal requirements that apply
- they can show that the arrangements, including the costs, are set and monitored in the best interests of the charity, protecting it from undue risks to its reputation and other assets
- money raised is always used in an effective and efficient way to advance the objects of the charity and support beneficiaries

Trustees should be satisfied that:

- there is strong management of the people and organisations that the charity works with
- they can explain fundraising costs, being transparent about how the charity benefits

The Commission issued a **regulatory alert** about working with Third Party fundraisers in 2016.

Fundraising regulation - the Commission's role

Regulation of the fundraising methods and approaches charities use is covered by a self-regulation system, overseen by the **Fundraising Regulator**. This system supervises charities' compliance with a **Code of Fundraising Practice**. The Commission will become involved in a fundraising matter, sometimes alongside or in support of other agencies, where there is a serious concern about trustees' compliance with their duties.

Further reading

There is more information about the legal requirements that apply to arrangements with a professional fundraiser or commercial participator in this short guidance on **working with companies and professional fundraisers** and in our **detailed fundraising guidance**. You can also check the information and advice provided by the **Institute of Fundraising**. Trustees should be familiar with the Commission's guidance on **their trustee duties**.