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Scandal of charity cheats is growing

When you donate to what you think is a good cause, a big slice might just be going into a fraudster's pocket

By Nick Kettles

29 November 2003

Plenty of people were responding to the emotive plea on the poster outside a shop in London, which read, "We urgently need good quality donations. Please give your support to children's cancer". But when Lekha Klouda, executive secretary at the Association of Charity Shops, representing 6,000 shops across the UK, responded to a call from a passer-by to investigate, she found the owners unwilling to discuss details in front of other customers.

She says: "Their poster did state they were a registered company, but made no declaration about the amount going to charity, although their shop looked a conventional charity one. Shops like this pop up from time to time. They wouldn't do it if there wasn't a profit in it."

But many charity scams are damaging legitimate causes. John Canessa, head of shops and trading at Marie Curie Cancer Care, says: "Bogus clothing collectors have affected us. Our return is down 20 per cent. That amounts to £1m to £2m of annual turnover, and we're having to work harder to achieve the same stock levels." The British Heart Foundation has also been affected, although it is unable to quantify how much. Cast-off clothing brings in £90m a year for UK charities.

Offenders range from one-man operations at car-boot sales, to unauthorised commercial operators putting up boxes at supermarket recycling centres. Registered companies post leaflets with clever wording giving the impression they are charities, such as "Third World Clothing Collection". Organisations which have been named as not complying with regulatory requirements include Celaria, Olonex and Kosta.

Some have sorting factories that export clothing for up to £15 a ton to eastern Europe and Africa, where there is huge demand for cheap western clothing. The legitimate Salvation Army Trading Company says 60 per cent of the million items of clothing it processes every week are worn again in the developing world.

There is little sign of the nebulous operators stopping, in spite of warnings from the Charity Commission, and lobbying by the Association of Charity Shops for the government to give more power to the police and local authorities to deal with the

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issue. During the summer, trading standards officers in London found clothes, donated in response to a leaflet distributed by Olonex encouraging donations to help people in eastern Europe, being sold on at a profit. It seems that without clear legislative powers the prosecuting authorities may feel they have other priorities over what are largely trading standards offences or breaches of the Advertising Standards Association's code. Many detected offenders simply shut down and turn up again under another name. Mr Canessa says: "There is a feeling by individuals that anything left on a doorstep is fair game; we associate black bags with refuse."

The Government is consulting until 2 December on rules covering house-to-house and street fundraising to deter bogus collections. Fiona Mactaggart, the Home Office Charities minister, says the changes would help protect the good name of the voluntary and community sector.

The proposals would require door-to-door and street fund-raising schemes to be licensed by the local authority. But there would still be extensive exemptions, including those based in shops, churches and schools, as well as one-off carol singers and pub collections.

Robert Pearce, a barrister specialising in charity law at Lincoln's Inn, says the existing law relating to collecting from the public for charity is difficult to comply with and enforce. He says: "The provisions to regulate fundraising in the 1992 Charities Act are complicated, because they are the result of a careful attempt to strike a balance between preventing abuse on the one hand and not stifling spontaneous acts of generosity on the other."

"If you try to legislate against every potential abuse, you will stifle and deter well-intentioned and honest people. It is possible to argue they should have drawn the line at a different point."

That may be difficult. Dubious fundraising activities range from blatant amateur attempts to pose as official collectors of household-name charities to more sophisticated but legal schemes which have the unwitting support of the charities. People with home-made badges, claiming to raise money for charity, have been accused of obtaining property by deception. Similar accusations have been levelled at the originators of posters in Hove, East Sussex, this year claiming to be from Save the Children.

Karen Hancocks, of the charity's Hove branch, said: "We are really concerned. The leaflets carry our name and phone number but they give a false address to send the money to. The matter has been referred to head office." Hove police confirmed the matter was being investigated and advised people to check the address on any leaflets they received before sending money to the charity. PC Christina Moore says: "People should not send money or cheques to the address given, and if they want to make donations they should do so through the shops of the charity concerned."

A spokeswoman at Save the Children's headquarters said: "We are taking this seriously. Save the Children takes a dim view of people using its name and logo without permission."

Last month the Charity Commission produced a report, *Charities and Publishing Companies*, which details the activities of several companies who make unsolicited calls to local businesses to sell ad space in diaries and trade directories in the name of charity. Often they give the impression they are calling from the charity when they are not, and only a proportion of the proceeds actually goes to charity. The Commission does not know how widespread this is, but has made eight enquiries. One company took in £107,000 in donations but the charity got only £23,000.

It is harder for donors to make an informed decision when the company seems to have the support of the charity. Rosie Chapman, the Charity Commission's director of policy and strategy, says the burden of responsibility lies with charities' trustees. "Trustees have to ensure the reputation of their charity is not brought into disrepute by its activities or anyone fund-raising on its behalf."

Martin Smith is head of internal audit at the deaf-blind charity Sense, and chairman of the Charities Internal Audit Network. He says: "Public trust is one of our most important commodities, and we have a responsibility to make sure we are doing everything we possibly can to minimise the risks."

The Association of Charity Shops has launched a kitemark scheme this year for charities to display in their shops, on textile and book-collection banks and on house-to-house collection sacks. But John Edwards, finance director of the British Heart Foundation, says: "The public can protect itself by ensuring the charity they are donating to is genuine. Genuine charities will display their registered number, often accompanied by an official logo. House-to-house collectors for British Heart Foundation Shops also carry a certificate and badge of authority."

Whether government legislation will make the police's job easier remains to be seen. Ultimately, it may be the public who have to deter bogus fundraisers and collectors by being more discerning.

WHAT TO LOOK FOR

- * Is the organiser's full address and telephone number on the leaflet?
- * Does the leaflet or collecting bag show a registered charity number? Some companies state their "registered" number, but this just means they are registered at Companies House.
- * It is legal for a professional fundraising company to collect on behalf of a charity, but it must say how much of the donation will go to the charity.
- * If an organisation is collecting on behalf of a charity, it should name the charity in any fundraising material. "Needy orphans" or "Sick kids" is not specific enough.
- * Organisations collecting house-to-house need a valid licence or permit from their local authority, otherwise they are illegal.
- * If you do not recognise the charity or company involved, phone for more details before giving. If the response is not satisfactory, there is no reply or you feel uneasy about the information given, do not give.
- * If in doubt, call the Charity Commission's helpline on 0870 333 0123, visit its web site, www.charity-commission.gov.uk, or contact your local trading standards office or the police.

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