

# AN INTRODUCTION TO FUNDRAISING AT TIMES OF CRISIS

Charities provide lifelines to those in need during times of crisis. But whenever large sums are raised there is a risk that fraudsters may try to take advantage.

# HELPSHEET

## Introduction

Charities are responsible for making sure that the funds they raise are used for the purpose they were raised for. Good fraud prevention and donor education on what to look out for when giving to charity are essential in order to maintain trust in fundraising.

Although it is almost impossible to eliminate every kind of fraud that a charity could encounter in times of crisis, appropriate due diligence is essential to protect donors as far as possible. And there are particular risks to be aware of when funds are raised online, such as fraudsters seeking to exploit the goodwill of the public by setting up fraudulent online fundraising pages or websites.

Other risks include:

- fraudsters using a charity's reputation and profile to fundraise in their name offline (eg, on the street);
- fraudsters posing as genuine survivors of natural or human disasters in order to receive money intended to support those in need;
- fraudsters attempting to use the charity's cause to launder money, dispose of the proceeds of crime or avoid tax; and
- funds being misused by overseas partner organisations.

Internal fraud risks can also be heightened during times of crisis.

## Common risks

### Fraudulent online fundraising pages

Fraudsters may set up fraudulent online fundraising pages in the name of your cause, raising funds from people who may otherwise have donated to you.

Search the internet to check for fraudulent online fundraising pages established in your name, using your branding or with somebody else's bank details. Also check that any online services you use to collect funds are registered with a relevant body (in the UK this should be the Fundraising Regulator and/or Financial Conduct Authority).

### Fraudsters fundraising in your name

If your charity has a high profile, fraudsters may claim to be fundraising in your name. This can lead to the loss of funds, and it may have a negative impact on your charity's reputation. It is important to check that 'on-behalf-of' volunteer fundraisers are suitable to act as responsible people. Listen to any feedback from your staff, volunteers or members of the public regarding potential fraudsters. Do not dismiss potential fraud as not being your problem just because you did not authorise the fundraiser.

### False victims

People who are not directly impacted at a time of crisis may claim that they have been affected, thus diverting your funds away from those who need help most. Use the intelligence sources that you have on the ground - such as frontline staff, medical professionals or police family liaison officers - to verify that the people you choose to support are genuine and to sensitively request evidence to prove the identity of individuals who receive direct grants.

### Money laundering and other crime

Criminals may use fundraising appeals as an opportunity to launder money, dispose of the proceeds of crime or

avoid tax. Act with due diligence to avoid breaching relevant legislation, such as the UK Finance Act 2011. Be particularly aware of unusual activity such as large one-off donations or donations from an unfamiliar source.

Keep records and check the Home Office register of proscribed terrorist organisations and the HM Treasury list of designated individuals and entities.

### Misapplication of funds

If your charity raises funds for overseas beneficiaries, there is a risk that the money raised safely in your home country is not used for the purpose intended once it reaches the destination. Carry out due diligence appropriate for the size and nature of the donation, and check the financial and reputational dealings of possible partners. Fully assess the risks of using the partner to deliver the project and put steps in place to mitigate those risks.

### Internal fraud

Remember the risks posed by internal fraud, which may be easier to conceal during times of crisis. Ensure that you make appropriate pre-employment checks and maintain a register of interests for trustees and senior staff.

## Educating the public

Educate potential donors so that they know what a genuine fundraising campaign looks like.

UK donors can look for the **fundraising badge** (used by charities registered with the Charity Commission for England and Wales and the Charity Commission for Northern Ireland) or the **fundraising guarantee** (used by charities registered with the Scottish Charity Regulator (OSCR)).

Donors can also check the **online directory** to see if a fundraising platform has committed to the UK-wide Code of Fundraising Practice.

## Five steps to reduce the risks

Awareness is often the best defence against fraud.

1. Be alert to the potential for fraud.
2. Identify the ways that your fundraising could be at risk.

3. Think about how to mitigate the risks, including training your staff to spot the signs and educating donors about giving safely.
4. Learn from others - use your networks to share information.
5. Report it.

## Taking action

If you suspect fraud act promptly.

- Report the incident to your relevant national law enforcement agency and/or relevant tax authority. In the UK these are Action Fraud (England, Wales and Northern Ireland), Police Scotland (Scotland) and HMRC.
- Report matters promptly to your charity regulator. For reports to the Charity Commission for England and Wales treat it as a serious incident. Use the **online form** to make your report, stating what happened and how you're dealing with it.
- If you are abroad or your charity is operating internationally, inform the relevant local authority or embassy.

## OTHER RESOURCES

The Charity Commission for England and Wales has produced a range of resources covering this area as part of its compliance toolkit. See chapter two, '**Due diligence, monitoring and verifying the end use of charitable funds**', and chapter four, '**Holding, moving and receiving funds safely in the UK and internationally**'. Also see '**How to manage risks when working internationally**'.

The Fundraising Regulator owns and develops the '**Code of Fundraising Practice**' which applies across the UK.

HM Treasury regularly updates its '**Current list of designated persons: counter-terrorism**'.

The UK Home Office regularly updates its '**Proscribed terrorist groups or organisations**'.

**Preventing Charity Fraud** contains resources to help charities prevent, detect and respond to fraud.

## CHECKLIST

### BUILDING YOUR CHARITY'S DEFENCES

#### ASK YOURSELF:

- Do our trustees understand that they have a responsibility to take proper care to ensure our money is held safely, not placed at undue risk, and is used for its intended purpose?
- Do we keep adequate financial records for the receipt and use of funds, including audit trails of decisions made?
- Have we checked that the online services we use to collect funds are registered with the Fundraising Regulator and/or are on the Financial Conduct Authority's register?
- Have we run appropriate identity checks on our beneficiaries?
- Do we have a contingency plan in place abroad if the local banking system collapses or the exchange rate drops?
- Have we researched our partner organisations to make sure they are completely reliable and will not put our funds or reputation at risk?
- Have we checked the Home Office register of proscribed terrorist organisations and HM Treasury list of designated individuals and entities?
- Have we run appropriate checks on our employees, trustees and volunteers?
- Have staff and volunteers been trained to handle cash donations? (This is particularly important when cash is used instead of the banking system to make transactions abroad.)
- Do we provide information to donors to help them give safely?

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#### DISCLAIMER

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