

Case study – conflict of interest

A charity's trustees owned land and property which they rented back to the charity. The charity trustees decided to sell the land and the property, putting the charity's assets at risk. The decision presented a conflict of interest, as they stood to benefit financially from the sale of the property, while putting the charity assets at risk.

What happened?

One of the charity's trustees, along with the charity's manager, owned land and property that operated as a commercial enterprise. They set up a separate Company Limited by Guarantee that was granted charity status, and received assets from the commercial business under a deed of transfer. However, the charity then rented land and property from the business owned by the trustees and manager of the charity. The business – a restaurant, soft play area and pet store – operated from the same site.

This arrangement presented a conflict of interest which the trustees failed to manage properly. There was no evidence of independent decision making to show that decisions that were taken by the trustees were in the best interests of the charity. There was no clear separation between the charity and the business. The trustees had no policies or procedures in place to identify or deal with conflicts of interest in order to safeguard the charity, its assets and its staff.

The Board was not fit for purpose, with trustees lacking the necessary skills and largely unaware of their duty to act in the charity's best interests. The overall governance of the charity was poor and financial record keeping inadequate. The charity had no signed lease for the land it occupied, and this placed the assets of the charity at risk. This weakness was compounded with the proposed sale of the business, where charitable assets were included in the sale schedule. We intervened and secured the charity's assets.

Outcome

Our action protected the charity's assets, which included a variety of animals. We worked with other bodies such as the local authority to arrange for them to be rehomed. The charity trustees withdrew the sale schedule, and ultimately appointed an insolvency practitioner.

What can you do to protect your charity?

Charity trustees must act in the charity's best interests, and not in the interests of any organisation that appointed them or with which they are connected – for example, an employer.

- You must put the interests of the charity first, and be able to demonstrate that the decisions you take are in the charity's best interests. You must do what is best for the charity – not what is best for you, your friends or family.
- Your charity should have a Conflict of Interest policy that says what you should do if there is a conflict of interest, and what happens if a charity trustee does something wrong. Make sure that this is adhered to where a conflict arises.
- You should also consider the reputational impact – how it looks to the wider community should you fail to address a conflict of interest.

Guidance and support

- You can read our guidance on charity trustee duties at <http://www.oscr.org.uk>
- You can read our guidance '[Who's in Charge](#)'
- You can get help and support in setting up policies and procedures, and arrange training, with help from your local [Third Sector Interface](#).