HOUSE OF COMMONS

Public Administration and Constitutional Affairs Committee

Oral evidence: *Funding in the charitable sector* HC 431

Tuesday 8 September 2015

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Watch the meeting

Written evidence from witnesses:

- RSPCA (FCS0006)
- Oxfam GB (FCS0015)
- Institute Of Fundraising (FCS0022)
- Public Fundraising Regulatory Association (FCS0023)
- Save The Children (FCS0024)
- Fundraising Standards Board (FCS0025)

Members present: Mr Bernard Jenkin (Chair); Ronnie Cowan; Oliver Dowden; Paul Flynn; Mrs Cheryl Gillan; Kate Hoey; Kelvin Hopkins; Mr David Jones; Tom Tugendhat; and Mr Andrew Turner

Questions 1–101

Examination of Witnesses

Witnesses: **Mark Goldring**, Chief Executive, Oxfam, **Peter Wanless**, Chief Executive, National Society for the Prevention of Cruelty to Children, **Justin Forsyth**, Chief Executive, Save The Children, and **David Canavan**, Acting Chief Executive, Royal Society for the Prevention of Cruelty to Animals, gave evidence.

Chair: May I welcome our four witnesses to this first session on charitable fundraising? Can I, first of all, ask each of you to identify yourselves for the record, please?

Mark Goldring: I am Mark Goldring, Chief Executive of Oxfam Great Britain.

Justin Forsyth: Justin Forsyth, CEO of Save the Children.

David Canavan: David Canavan, Chief Executive of the RSPCA.

Peter Wanless: I am Peter Wanless. I am the Chief Executive of the NSPCC.

Q1 Chair: Thank you all for being with us today. We will try to ask short and relevant questions; if you could give short and relevant answers that would be very helpful. If I feel your answer is going on a bit long I will pull you up, so if you want to get all your answer in make it a short one, particularly as there are four of you on the panel.

Can I start by saying sadly we know why we are all here? The context of this is that the media, *The Daily Mail* in particular, which I think should be congratulated, have uncovered what amounts to a scandal in the way that charities, including your own, have been raising money from members of the public using commercial companies whose activities have been so shaming that charities have immediately suspended operations, severed contracts and ceased relationships because of what has been uncovered, such as instructors telling fundraisers that when someone says they are too poor to give a donation that is just another excuse. Data has been passed from commercial fundraisers to street chuggers who within minutes are plaguing the same people asking for more money. Companies refuse to remove telephone numbers from their lists, even when people call to complain about receiving calls from them, and staff instruct callers to ask for money at least three times in a call in a very aggressive way sounds more like a boilerhouse operation than something that reflects the values of the charities that you serve. I see four charities sitting in front of this Committee for whom there should be an enormous amount of respect, even if one or two of them are sometimes controversial. How did you get into this situation?

Peter Wanless: Shall I start? The sort of practices that you described there are utterly unacceptable. For NSPCC, a charity here to protect some of the most vulnerable children and families in this country, to deliver a service like ChildLine, which needs to be there 24 hours a day, seven days a week, we rely for over 90% of our funding on voluntary donations. So confidence in that method of engaging and inspiring people to support our cause is really important. Like you, I am pleased that these gross excesses have been exposed and action has been taken to do something about them.

Why do we work with commercial companies to raise money? This is a small element of how the NSPCC raises its money. We have around about 10,000 volunteers the length and breadth of the country and we support them to do all kinds of things to raise money.

Chair: You are giving an explanation of another question. How did you get into this situation?

Peter Wanless: Well, the situation that has been described is one in which, as I say, there have been utterly unacceptable excesses and where those have been done in the name of the NSPCC we have taken—

Chair: Sorry, you are not answering the question.

Peter Wanless: I am sorry.

Chair: How did this happen? How has this occurred?

Peter Wanless: I think that there has been an imbalance between the desire to raise money and the importance of valuing the relationship with a donor, either potential or actual, and that a gap has opened up.

Q2 Chair: I think that is an honest and rational response to the question. Thank you for that. What about our other witnesses?

Mark Goldring: Could I continue? I think we got into the situation by placing too much reliance on agencies with too little supervision. We need to use agencies. They are a valuable part of our fundraising mix—although in Oxfam, just like in NSPCC, they are a small part—but we did not supervise those agencies strongly enough. The examples that *The Daily Mail* has identified are unacceptable, but they are a very small part of that picture. Overall, the level of complaints on telemarketing, which is the most sensitive issue, has been about one in every 800 calls. For Oxfam it has been about one in every 1,600 calls, but we recognise that is too much and there is public concern. Strengthening the approach to working with agencies, strengthening our own management of that, taking tighter approaches that go beyond what the law requires on how we use data all feel parts of the solution.

Q3 Chair: All right, okay, you are getting into solutions; you are going ahead. What about our other two witnesses, how did you get into this situation?

Justin Forsyth: I think there are two reasons, one of which has already been mentioned, which is we thought—but we were wrong—that the standards and the contracts we agreed with these agencies and the measures we put into place, whether it was listening to calls or this thing called mystery shopping where you go and send your own staff to listen or on the street to go and check, did not work. The standards we had may have been strong, but they were not enforced in practice. Whether we as charities or the regulatory frameworks were not working, I think there is—

Chair: We will come to the regulatory framework side of it, but what you have said is honest: you were not looking hard enough.

Justin Forsyth: Hard enough. I think we were looking but not hard enough. There is another factor that—

Q4 Chair: Okay. David Canavan?

David Canavan: Yes, I think we need to put it into context.

Chair: No, we are not interested in context. How did this happen? We know the context.

David Canavan: The situation is that, putting it into context, the number of complaints we have received in relation to our telephone marketing amounts to one in—

Chair: Oh, that makes it all right, does it?

David Canavan: No, it does not make it all right.

Chair: Well then, what is the relevance of the point you are making?

David Canavan: The relevance to the point we are making is that the RSPCA depends on the goodwill of people who want to help animals supporting us.

Q5 Tom Tugendhat: Do you feel that has been improved?

David Canavan: I think we have an enormous amount of support with 550—

Tom Tugendhat: And you feel that—

Chair: Hang on a minute.

David Canavan: No, I do not. I do not think it has improved the situation at all. I think we have to review very, very carefully the way we have been seeking to attract funding.

Chair: But that does not answer the question of how you let this happen.

David Canavan: I think the situation over a number of years of greater and greater pressure upon charities generally to secure funding to carry out their good work and the development of modern technology and so on have created a situation where charities need to have a clearer picture—

Chair: That is like saying that the temptation to raise more money made you either slipshod and unprofessional in your governance procedures or wilfully blind to what was going on.

David Canavan: I do not think—

Chair: Which was it?

David Canavan: I do not think we are slipshod in our procedures. I think issues have occurred that we have put right.

Q6 Chair: Can I ask a general question before I come to Kate Hoey, which is about the governance of your charities? Who is responsible for overseeing the values of your charities and making sure that they are carried out in all the activities that your charity carries out directly and with the people with whom you contract?

David Canavan: In the case of the RSPCA, the philosophy and the principles of the society are determined by a board of trustees elected by the membership and the board of trustees appoints senior—

Q7 Chair: What went wrong in the governance arrangements in the RSPCA that this happened?

David Canavan: As far as the governance arrangements are concerned, the governors receive regular reports. The trustees receive regular reports.

Q8 Chair: So they knew about all this but did not do anything about it or were they not told?

David Canavan: No, whenever an incident occurs the matter is investigated fully and the trustees are informed fully as to the actions being taken to remedy that.

Q9 Chair: Anybody want to add anything to this governance point before I come to Kate Hoey? I am going to come to Kate Hoey in a minute.

Peter Wanless: We have a board of trustees likewise who are very active and alive to the issue of the values of the charity. One of our trustees many people will know is Esther Rantzen, who has been a strong advocate of the importance of protecting vulnerable people, including vulnerable adults, as the founder of Silver Line. This is an issue that is important and centre of mind. Our trustees have taken decisions in the past about the ways in which we fundraise to try to be consistent with the values of our operation. For example, the NSPCC withdrew completely from street fundraising because we could not get that to work consistent with our values. What we did not have was the evidence about some of these telephone practices, which we now have to look at in more detail.

Chair: I just want to let Mr Goldring and Mr Forsyth respond to that question and then I will bring in other colleagues.

Justin Forsyth: We also have a board. They are all volunteers. They are responsible for our governance. I am the CEO; I am accountable to them, as are the directors. I think the truth of the answer, Chair, is that we did not know some of these things were happening and the standards and the mechanisms we have in place did not pick them up. Now, you can argue how big or small the problems were but, as you say, they were completely unacceptable and I think they shocked us as well as shocking you.

Q10 Paul Flynn: In your answer, at the end Mr Canavan, you said, "One in—" and you were going to give the context. One in—what would you have said had you not been interrupted?

David Canavan: For marketing using the post it is one in 100,000 mails. For the telephone marketing, it is one in 1,000 complaints, and many of those complaints relate to issues like the time of day that we ring and issues of that kind. We are very, very anxious to ensure that we have a good working relationship with the people who donate money to us. We could not survive unless those people felt that what we were doing was supporting what they wanted to achieve.

Paul Flynn: Thank you.

Q11 Chair: Mr Goldring?

Mark Goldring: I back up what my colleagues said and say that in addition to our trustees setting overall principles and policy, they receive regularly an accountability report, which includes a description of all complaints received. But complaints were not at an unacceptable level. The issue, therefore, was not picked up by trustees, for the same reason that Justin Forsyth described, which is that we were missing too much of the public concern at a management level, but the policies that trustees had approved were completely consistent with Oxfam's values as well, of course, as the legislative framework.

Chair: Before I come to other colleagues, I wish to declare an interest. I am involved with a number of charities, particularly fundraising for Combat Stress. I have to do that at this session and I would invite my colleagues, if they are asking a question, just to declare any charitable interests they have before they ask their question.

Q12 Tom Tugendhat: Can I declare my interest very quickly as a patron of Spadework and Hospice in the Weald and a governor of Hillview Academy Trust in Kent, but also as a regular fundraiser for various military charities, including the Royal British Legion, which brings me on to my question.

Large organisations, including the one I was once involved in, the British Army, are very clear about the values and standards they expect their members to adhere to, particularly their employees, and every soldier is expected to know that the values and standards of the British Army are loyalty, integrity, courage, discipline, respect for others and selfless commitment. What values and standards do you expect your management and those who you employ to hold to? Can you state them?

David Canavan: We believe in honesty. We believe in transparency. We believe in ensuring that our supporters clearly understand the objectives of the organisation. There is a situation where, as I think has been said, when these incidents occur they are investigated and we take action to try to ensure they will not occur in the future. We are more than happy to support changes that are being discussed at the moment—

Tom Tugendhat: Sorry, but you are wandering off the question, Mr Canavan.

David Canavan: I am sorry.

Tom Tugendhat: Do you have a list of identified values and standards you expect people—

David Canavan: We do.

Justin Forsyth: We do.We name our rooms in our office after them: integrity, ambition, transparency, collaboration. We are a children's organisation. Our mission is to save children's lives. It is to help them go to school and learn and to protect them from violence, and those are the three things that we do link to those values. They are a central part and I completely agree with you. I think the British Army is a good example of how you instil those values throughout the organisation in what you do. I don't think anyone here is, and I am definitely not, denying that we have a problem here. The question is: with those values and the organisation we have, how do we fix it individually and then collectively? I think we are up for that challenge and we are not in denial about the problem.

Peter Wanless: We have five values: putting children first, taking a stand, making an impact, never settling for second best, working together, and those flow through, in the same way Justin has described, what the NSPCC does for itself. Now, I think one of the important opportunities and things we have not done here is that, although we have asserted to organisations that are working on our behalf that these are the values we expect and we expect them to live by them, what we have not done is followed that through as effectively and thoroughly as we ought to have done into our contract management, so that we are measuring and managing people on their performance in relation to those values, and also into the quality of the relationship that they are having with the people they are fundraising from. That is a set of conversations that we should have had earlier, but subsequent to this coverage and the inquiry of this Committee, we are all over and having exactly those conversations with all the organisations that want to work for us, because I think you are right: this is central to getting this correct.

Mark Goldring: Oxfam, too, have a set of stated values, but in addition we have a set of values and expectations directly linked to our fundraising. All of our staff are trained in those and we hold staff accountable for implementing them.

Q13 Chair: You all approved the call scripts given to you by the call centres?

Mark Goldring: All call centres are expected by contract to implement the standard guidelines that are developed by the professional bodies.

Chair: Am I correct in saying that you do see the call scripts?

Mark Goldring: Our staff do.

Justin Forsyth: More than that. I do not want to get into a position where it looks like we are denying there is a problem, so me answering your question is not an attempt to do that.

Chair: We will never punish honesty. Carry on.

Justin Forsyth: We work with the agencies. We train them. We write the call scripts with them—they do not write them. We try to make sure our values are instilled in them and the contracts agreed with them have these standards. Now, obviously something did not work here, which is why a number of us have suspended our telephone contact with our supporters or even the members of the public more broadly as a result, to relook at what went wrong. It is not that we have not done all of that training. Every time there is a complaint we listen to the call of that complaint ourselves and we also do this listening to calls occasionally anyway just to make sure things are working. It is not that nothing has happened in terms of monitoring, but obviously it did not pick up what *The Daily Mail* did a public service in outing.

Q14 Kate Hoey: Good morning. Can you all confirm—because you were all mentioned in *The Daily Mail* and *The Mail on Sunday*—that you actually used the services of GoGen and Listen Limited? Is that correct? Were you all using those?

Mark Goldring: We were. Oxfam was.

Justin Forsyth: Yes. We were not actually mentioned in *The Daily Mail*.

Q15 Kate Hoey: You were all using them. How many of you are still using them?

David Canavan: The RSPCA still uses Listen.

Kate Hoey: You are using Listen?

David Canavan: Yes, we are.

Peter Wanless: We use Listen. GoGen is obviously not there anymore.

Q16 Kate Hoey: So none of you have decided not to use—

Mark Goldring: No. Oxfam reviewed all of our contracts as a result. We did not continue to work with Listen or with GoGen and we have only continued to work with other agencies when we have been through an enhanced due diligence process.

Justin Forsyth: I can answer for Save The Children. We did work with GoGen and Listen. We have suspended all of our contracts with all telephone agencies and we are having a review before we redo contracts to make sure that the standards are higher. We are no longer working with GoGen and Listen.

Q17 Kate Hoey: What is the actual advantage of you using those particular companies and agencies? It seems that with many of them, it will take quite a while for you to be collecting money and quite a lot of money before they are actually paid and you make any money. The whole chugging process, does it actually work?

David Canavan: We use Listen and following on from the revelations and so on, the information that was brought to us, we have renegotiated our arrangements with Listen. We directly train all the operators at Listen. We have monitored what they do. We do mystery shopping to ensure that the conversations that they have are not conversations that are purely about income generation but are actually conversations about animal welfare and providing people with an opportunity to donate to us.

I think the reason why the RSPCA uses organisations like Listen was that we have a duty to manage the funds of the RSPCA in the most effective manner. Those organisations can provide a service, a professional service, to us at a cost that is an effective use of our funds.

Q18 Kate Hoey: With respect, I do not want to go in to how you spend your money because I probably would disagree with how you spent some of your money. It seems as if, and this is what the average person thinks, I believe, so much of your money now and so much of your focus of the larger charities is on your salaries—I am not going to embarrass you all by asking your salaries; I presume it is public—on the administration costs, on the bureaucracy, on the whole way that you have become far removed from what most people who give their 50 pence think you are doing. I just want to know if you have an actual amount that you spend in relation to the money you raise on what you are meant to be doing, rather than on what I would call or some people would call frippery?

Mark Goldring: Oxfam spends 16 pence in every pound raised on the combination of management, administration and fundraising. That 16 pence is roughly 8 pence on fundraising and 8 pence on management and administration. It is very fashionable to challenge the—

Q19 Chair: What do you spend campaigning? Does that 16% include campaigning?

Mark Goldring: No, campaigning is part of our programme because it is all directly linked to the benefit we seek to deliver for the programme. Campaigning is a small part of our policy work and policy work is a small part of our programme, but campaigning is part of our programming.

Q20 Oliver Dowden: May I ask what proportion is for campaigning then?

Mark Goldring: Yes. Oxfam's turnover in a year is about £400 million. We spend about £20 million on the combination of policy, research, advocacy and campaigning. Campaigning is a very small fraction of that. Much more is researching what is going on in Syria or in Yemen and advocating about that.

Q21 Kate Hoey: Would the agency fees be part of that percentage?

Mark Goldring: The agency fees are part of the fundraising costs, but like the RSPCA, over time we have found it economic to have a balance between what we do in-house, where we have a core capacity, and what we do through agencies, which allows us to increase that capacity at particular times without employing excessive numbers of staff the whole year round.

Justin Forsyth: I think your question is a right one, but can I answer it in a slightly different way to Mark?

At Save The Children, in the last four years since I have been CEO, we have doubled the direct reach we have had for children. That means we have saved more children's lives from diarrhoea, pneumonia, malaria; we have got more children into school. We have gone from 8 million children up to 17.5 million children and we have also increased our supporter base nearly up to 800,000. They support that work and the vital money that supporters give us allows us to do the toughest stuff. When we first started working in Syria, nobody would give us money. We work in these besieged cities. We started programmes in these besieged cities and then the European Union gave us a lot of money in support of that—20 million or 30 million. The UK Government did as well. This money that we get from the public is like gold dust. It is not just how the money itself is spent; it is what it levers in bigger change. I would say you should judge the big charities partly on the answer that Mark gave—how much we spend on administration—but judge us much more on the impact we have against our mission because that is a really important thing: in our case, how many children's lives we save.

Q22 Kate Hoey: My final question is: are we clear then that all of you are accepting that you did not oversee the activities of GoGen and Listen properly?

Mark Goldring: Oxfam certainly is and we have taken steps to tighten the way we oversee every contract now.

David Canavan: I think it is fair to say the RSPCA accepts there were issues that have been identified and we have, I believe, taken a responsible approach, working with others, to change the environment, the framework within which charities fundraise. We will contribute to the discussions about that.

Chair: Sorry, to save time, it was a yes/no question.

Peter Wanless: Yes.

Justin Forsyth: Yes.

Kate Hoey: Thank you.

Q23 Oliver Dowden: May I ask each one of you specifically how much do you spend on telemarketing and how much revenue do you get for that spending? How does that then compare to the ratios for your other forms of fundraising? If you could each address it in turn, that would be very helpful.

Peter Wanless: I am happy to go first. NSPCC spent last year about £28.5 million on fundraising activities to generate about £118 million of voluntary donations. On average, for every pound we spend on fundraising we are generating just over £4. Within that £28.5 million figure there is all the support for the 10,000 volunteers we have across the country, et cetera. The telemarketing aspect is about £1.2 million and we expect from that activity to generate a return of about 3.1 or 3.2 times that amount. It is an effective value-for-money way of raising funds, but it is in decline. Telemarketing was a much more effective way of engaging and having quality conversations with people that they valued and wanted to have in order to support vulnerable children in the past than it is now, because we can see the context changing.

Oliver Dowden: That is perfect. Thank you.

Chair: Very helpful answer.

David Canavan: The RSPCA has a turnover in the region of £125 million. We receive from the general public. We are one of two charities in England and Wales that provides a service to the public—the RNLI is the other service—that in other countries is provided by the Government. We take responsibility to maintain animal welfare very seriously. We have 500 inspectors on the road providing 24-hour, 7 days a week cover and responding to 130,000 calls for assistance. Roughly 50% of our income comes from legacies. Of the balance, there is a range of ways of raising income. As far as telemarketing is concerned, for every £3 we raise it costs us roughly £1 to do it, so we are increasing our income by three times by using telemarketing.

Q24 Oliver Dowden: How much do you spend on telemarketing?

David Canavan: The overall spend on income generation is about £20 million.

Oliver Dowden: So it is £20 million to the telemarketing company and you get—

David Canavan: In total. That includes legacy marketing—

Chair: For brevity, can I ask each of you to provide us figures in writing?

Oliver Dowden: Yes, that would be easier. Very helpful.

Chair: Thank you very much.

Q25 Ronnie Cowan: My question is about the call centres and the agencies that you contract to raise funds for you. My concern is the pressure you are putting on the people in those call centres that maybe makes them go off-script. You say you have agreed what they are going to say, but people are put in that position. Do you know if these people are working on zero hours contracts, on the minimum wage or the living wage, or do they get a percentage of the money they are raising?

Mark Goldring: For Oxfam, we have different contracts with different agencies. We require all suppliers to pay the living wage wherever they are working, and most are working on the basis of salary rather than commission. In some cases, there is an element of performance bonus, but it is always a small minority of the overall payments. In most cases, we pay agencies by contacts made rather than by the number of sign-ups, but I would also say that there is a major disincentive in the contracts for agencies to be signing people up under false pretences or with undue pressure, because if those people drop out quickly, the agency are obliged to identify other people at their own cost. The incentive is to do it responsibly, respectfully, and that means that out of Oxfam's 400,000 regular donors 170,000 have been with us for more than 10 years, which is how we get the real return.

Q26 Ronnie Cowan: Just a quick point of clarification. We are saying the living wage; we are talking £7.85, not Osborne's aberrational £7.20, is it?

Mark Goldring: We are talking about the living wage as it is currently recognised in London and outside London, not the minimum wage.

Justin Forsyth: We are a signatory to the living wage, so we pay all our own staff and contractors. I would need to double check that we have got to the stage that we are now doing it through all agencies. I do not want to make a promise to you if that is not the case; I think that is the case in the same way as Oxfam, but I will double check for you. For our contracts with these agencies, they do not do commission; it is salary as well. They are not being paid on how many people they recruit in the telemarketing business.

I would just say on this, just from a Save The Children point of view, we do not cold call members of the general public. We only call our supporters and we have made this commitment in a supporter promise about not selling data, only phoning our supporters, and also giving our supporters a right to say how much time we communicate. We are not ringing members of the general public. We spent £1.8 million on telemarketing, just to answer the previous question.

David Canavan: I think I need to check, as Justin has said. I need to check what the terms are, but certainly we have a limited number of contracts with telemarketing companies, one in particular, so I can check that very easily for you.

Peter Wanless: For the sake of brevity, our contracts are very similar to as those described by my colleagues. In telemarketing we pay per contact made, not whether it is successful or not. There is huge value in terms of raising the importance and understanding of how people can help vulnerable children simply by talking about it, whether or not the conversation subsequently ends in a donation being made or not.

Q27 Chair: This business about employment practices is very important. I have spoken personally to one person who works in a call centre who was very severely rebuked and threatened with dismissal for failing to insist on asking for a donation from somebody who said, "Look, this is not a very good moment, my husband has just died." He said, "I am terribly sorry to bother you, I will not bother you now," and he was told, "If you do that again, I'll fire you." How do you check up on practices like that, because you are not going to see that by checking call scripts? It is about whether the guys running the call centre are nice, decent people.

Justin Forsyth: I think we have to do it in a number of ways, but one of the ways we could pick up on specific instances is to listen to the calls because they are all recorded. If there is a specific complaint, we listen to that call.

Q28 Chair: Yes, but the abuse was not recorded because it was a conversation between an employee and a supervisor. How are you going to check that out?

Mark Goldring: We cannot pretend we can check in every case. What we have to check is the ethos of the agency and we have to monitor it.

Q29 Chair: But then shouldn't you be using your own people instead of contractors?

Mark Goldring: Even if we used our own people, we could not check every individual, but I think we all recognise that we have to do and are doing tighter supervision, which includes spot checks, which includes listening in, which includes follow-up with donors.

Q30 Chair: What about whistleblowing and complaints procedures? What arrangements did you have in place to make sure that people working in call centres could contact you directly about what concerned them? Anybody?

Justin Forsyth: Yes. We have on the front page of our website something called our supporter promise and it has a line. We do it in-house and out-house, so we do not only rely on agencies. We have our own in-house agency as well, which is a supporter desk, and any of our supporters can ring that and make a complaint.

Q31 Chair: Yes, but this is not about supporters. This is about employees in call centres. What arrangements were there for them to ring you up and say, "You need to know what is going on in here because it is not right."?

Peter Wanless: We have a whistleblowing scheme and it is publicised and it is available through the website. I think, though, there is a fundamental important point that you are raising here about the extent to which these sorts of considerations are centre stage in the contractual discussions we are having with the organisations that work with us.

Q32 Chair: But if you have those arrangements for your own employees, surely you need to have them for your contractors?

Peter Wanless: They are available. Yes, if anyone wants to blow the whistle on anything that is being done in the name of the NSPCC, they can do that through our whistleblowing service or through our supporter care desk, which works in the same way that Justin has described it working.

Q33 Chair: So why didn't it work?

Peter Wanless: I don't know. I think we need to be clearer that we absolutely value feedback of all kinds from people who are experiencing the service that is being delivered in the NSPCC's name or working in that chain.

Q34 Mr David Jones: To declare my own interests, I am an honorary life governor of Cancer Research UK. I am an ambassador for Girl Guiding and I am a Save The Children champion.

I would venture to suggest that you are all representing organisations with high national reputations, which frankly have been tarnished by the episode that we are discussing in this evidence session today. This is as a consequence of becoming involved with some organisations that, frankly, behaved appallingly and disreputably. What checks did you put in place before entering into contractual relationships with the companies we are discussing?

Justin Forsyth: Maybe I can answer that. The impression, and it was obviously wrong, is that some of these agents were the better ones than others who work for the private sector and that some of these are doing a better standard of care. What we have done from the very beginning is, in the meetings we have had with the different agencies—not just the two that you have mentioned but other ones that we have employed—we have gone through a due diligence process. We have sent staff to visit them. We have listened to calls. We have been involved in the training and the script writing, and then when there have been complaints, we have followed up.

The interesting thing, just as an example to give you a flavour, is Save The Children had a 42% reduction in complaints on fundraising last year. At the same time as *The Daily Mail* is exposing these unacceptable practices, more broadly the public have not been complaining as much. There is obviously a problem here and our system did not pick it up, and also the public did not complain about it, so we have to look at what went wrong here. I completely accept that and I think it is a mixture. That is why we have suspended all our telemarketing agencies and are relooking at contracts and standards. Then we also need to look at the broader picture of the regulatory framework, because what we did have in place was not enough.

Q35 Mr David Jones: In terms of what you were expecting from these agencies, were you relying primarily upon the contractual relationship that you had with them, or were you relying upon, for example, the Institute of Fundraising's code of conduct? What arrangements did you have in place to ensure that they adhered to sufficiently high standards?

Mark Goldring: The contractual arrangements include provision that contracted agencies will adhere to all the Institute of Fundraising standards. For example, on vulnerable people there was a very clear standard—tightened last year—that all agencies were expected to follow and it was part of the contract. The question then becomes not was that in the contract, but what did we do to monitor its implementation? We had a range of ongoing monitoring approaches, which included listening to calls, mystery shopping and regular supervision of training, but it was not enough. What we have done since is both tighten the standards and the management of those standards.

Q36 Mr David Jones: What about the contractual arrangements? Have you tightened those, too?

Mark Goldring: The contractual arrangements still require the adherence to those standards. What we have done is said we are going to do more to make sure those standards were properly implemented. If the standards on vulnerable people had been fully implemented, then we would not be having this conversation now. The contract was there, but the management was not sufficient.

Q37 Mr David Jones: Mr Goldring, didn't you say in reply to an earlier question that if an agency lost a donor, then they were obliged to identify other people at their own cost?

Mark Goldring: In the first few months, and the reason—

Q38 Mr David Jones: Forgive me, isn't that every incentive to the agency to behave even more aggressively in trying to find donors?

Mark Goldring: We would suggest not, because if a donor drops out within the first few months because they have been pressured in the call, the agency have to find more. If they drop out, they have to carry on finding more. We judge the effectiveness of an agency not only by how many people they sign up, but by how long they stay with us. We would be expecting to manage a contract on the basis of a number of factors, including level of complaints, but also including retention. People will not stay with us—and a third of our donors have been with us for 10 years or more—if they are feeling pressured in that relationship, so we have every reason to try to get that managed effectively.

David Canavan: I think it is a good point to make that, in a sense, it is in the interests of the charity and the interests of the agency that is being used that those people who donate feel comfortable that they have not been pressured, that they have been able to exercise their own desire to support that particular charity when they make the donation. In the case of the RSPCA, we have 550,000 people who regularly donate to us. Those people want us to communicate regularly with them. They want us to tell them what we are doing in the field of animal welfare and they feel comfortable. They volunteer to support us and we need them to volunteer to support us. If those people felt that we were targeting them aggressively, then that would not be in our interests to do that. We need those people to support us and feel that they are doing it of their own free will. We are very, very concerned that people who may be vulnerable are being approached by agencies and donations sought from them. We are very conscious of that and we are trying to find ways within the process to train the people on the phone to identify these things and to ensure that we do not.

Chair: I would be very interested to know what people watching this session feel about these very big reassurances you are giving. The Twitter feed is @CommonsPACAC. Let's have some tweets from the members of the public who are listening to these very reassuring things, because I wonder if that is how they react to this.

Q39 Mrs Gillan: Can I declare an interest that I hold some honorary positions with local charities, but I am also a trustee of a charity here in the House, namely the Parliament Choir—

Chair: Oh, so am I.

Mrs Gillan: —that supports young and aspiring musicians as well.

I am listening to this very carefully and certainly from the newspaper reports in *The Mail,* it is quite obvious that there was a fairly widespread culture of disregard for the general public. I almost feel with the four of you in front of us that you are charities that are "too big to fail" because you are so important in the relative fields in which you work. What worries me about all of this is I feel that you have tried to insulate yourself and put at arm's length the business of raising funds while you concentrate on how you are spending those funds. I want to ask you, particularly in the light of the remark that was made by I think you, Mr Goldring, who said there was a variation of contracts, how much you suspected that you were trying to insulate yourself from the slightly distasteful business of raising money and concentrate on the altruistic side of spending it and being seen to do the good works. I feel that you maybe had secretly—all of you separately as charities—a cause for concern over this area of your business and that is why you were trying to pass it and put it off to agencies. Would I be correct or would you like to tell me I am wrong?

Mark Goldring: Maybe I can pick that up directly. When somebody is called at home or stopped on the street, as far as they are concerned and as far as we are concerned they are being called by Oxfam, whether it is us or an agency. We have to take full responsibility for the nature and the quality of that interaction. It is much more of a practical and financial decision as to what we do in-house and what we do through agencies, or rather it has been traditionally, but it does not change the fact that the public thinks that is us calling and we have to take full responsibility on that basis. Where we have chosen not to do it ourselves, it is because we thought others would do it more effectively, more cost effectively.

Q40 Chair: How much money do you think you would raise if your callers had to say they were working for a private sector profit-making agency rather than for Oxfam?

Mark Goldring: There are very clear rules on what callers have to say and how they have to describe themselves. For example, with face-to-face fundraisers, they read a declaration that says exactly that and which describes how much the agency is paid. In Oxfam we choose to go further and say, "This is how much we think we will raise from it." What I am saying, Chair, is that as far as the public are concerned our reputation is at stake. Our reputation is affected and that is the level of responsibility that we seek to take.

Q41 Mrs Gillan: I would like to hear from all of you whether you felt you were providing a buffer zone between the distasteful business of raising money and the wonderful business of spending it.

Justin Forsyth: I definitely think this is a wake-up call for us as CEOs. I do think fundraising is a core part of all of our jobs—it definitely is of mine—as much as how we spend the money. This was not delegated to a junior person in the organisation. I have a very good fundraising director and this is also discussed regularly both at board level and at the finance and audit committees. But there is a problem and we did not know it was happening and now we have to fix it. I would say that many of our supporters want to be regularly contacted. It is not that they do not want to be. We have raised I think in the last two or three days £1.5 million—

Chair: Sorry, I am going to cut it short. Point made.

Mrs Gillan: I would like to hear from the other two.

Justin Forsyth: Okay.

David Canavan: Yes, I think we take the issue very seriously as well. The people who speak to the public on our behalf are our ambassadors and it is not simply about raising money. It is about ensuring that people are aware of the work the society does, the animal welfare work we do, the work that society itself wants us to do, and to provide an opportunity for those people to donate to support that work.

Peter Wanless: No desire to hide from fundraising whatsoever. Where fundraising is done well it is an opportunity to have a really informed conversation about how best to help the urgent needs that vulnerable children have the length and the breadth of the UK. Our choice to employ others to undertake a small aspect of our fundraising operation for us is made, to echo what Mark said earlier, because by involving these organisations on the expectation that they do it well, we release more money to devote to what we really want to do, which is to help children.

Q42 Mrs Gillan: You have this arm's length relationship with these agencies and you have admitted to lack of supervision and governance in this area, which is why all four of you are sitting here today. What worries me is what happens at the coalface because I have been on the end of some of these people calling my home and trying to get money out of me and I give them pretty short shrift. First of all, the general public that get called think it is you, the charity, that is doing it and not an agency—because, you are quite right, they are your ambassadors—and, secondly, the people that are contacted, how can you satisfy yourself that any large proportion of them who have felt that they were treated unfairly on the phone would complain? Because I believe that many of the people that are contacted would necessarily not complain because you are such big household names.

Justin Forsyth: Let me give you an answer to that. We do not call the members of the public; we only call our own supporters. We have just mailed or emailed all our supporters and we have asked them whether they want to change how much we communicate with them and we have explained our supporter promise. We have consulted them, apart from people that have opted out of getting mailings and telephone calls. The interesting reaction is it is extraordinarily positive. Again, I would say there is a problem here, but don't generalise beyond what is also the facts, which is many of our supporters desperately want to give us money and support us and think the quality of the relationship—I agree with the point made earlier: it is not just wrong, what happened that *The Daily Mail* exposed; what they exposed is wrong but it is also counterproductive. If we treat our supporters like that or the public, they will lose confidence in us. We want to have a better relationship with our supporters and the public. We do not want to treat them in the way that *The Daily Mail* exposed. I think we have to learn some lessons there and we are trying to learn those lessons.

Peter Wanless: We only contact supporters or people we believe want to hear from us on the telephone, and we have surveyed our supporters twice in the past. The thing they were most negative about was the regularity of the communication and they did not want to be contacted so many times. So of the 345,000 telephone contacts we made last year, 90% of those were one call. In our written communications, of the 5 million written communications that went out one way or another last year, nearly 75% of the people who received those did not receive more than three. We are disciplining ourselves to be limited in the number of times we engage with our supporters because that is what our intelligence about what they want tells us about how they would like to be communicated with.

Q43 Chair: Can I ask a supplementary? How many of those you think are your supporters know that they are held on a database as a supporter? We have heard about information being passed around, sold, because boxes have not been ticked, or in emails and stuff, so data is being passed around, marketing profile is being passed around. What is most concerning is the call centres finish up with a list of people who they regard as the most susceptible.

Peter Wanless: That is a really good question and it is something that we are anxious about. That is why we have suspended the telephone contacts in this space in order to determine as clearly as we possibly can the validity of those permissions because we have absolutely no desire to break into and have conversations with people who do not want to hear from us. This is all about trying to make a connection to have a positive conversation about what we can do together to help vulnerable children.

Mark Goldring: I wonder if I can add two dimensions to answer your question, because I agree with what my colleague said so I will try to add to that. I think there has been an issue, which is many people have ticked a generic box about being open to be contacted. That is very different from saying, "I would like to be contacted by Oxfam." Since the challenge in July we have stopped using any kind of generic opt-in and only chosen to contact those people who have ticked something or stated something that is Oxfam specific. We have not bought or sold lists for many, many years.

The other point I would like to make is a more general one. Sometimes people, myself included and yourself included, are irritated not because of the behaviour of one charity; they are irritated because they might get a call from any one of us one night and then the next one or any one of thousands of other charities. We have to think how we handle that rather differently from what are the rights or wrongs of the behaviour of any one agency. Like NSPCC, we limit the number of calls we make, and 93% of people who have agreed to be contacted are telephoned no more than once a year. The issue is that 100 other charities could also be telephoning them and that is where we as a sector feel we have had a wake-up call, which is why we are contributing to the Etherington review and why we think we need to look as a sector rather than just as individual charities.

David Canavan: I think it is fair to say we do not sell data, nor do we do cold calling; I can say that categorically. I would concur with what Mark has just said. One of the issues for the sector is that while individually we may work very, very hard to ensure that we act in a proper manner and in a transparent manner, what is an issue is that an individual may receive calls from a number of different charities over a period of time and that might cause them to be concerned.

Q44 Mrs Gillan: Just a final short question. Having listened to this—a catalogue of disasters, where people have been driven, in extremis, to take their own lives—surely the answer with all of this is not to continue using any of these agencies, but to take responsibility for this activity directly yourselves and take it in-house, so you have that very serious linkage that you, Mr Forsyth, appear to be taking on as your responsibility, so that you have total control over this area. Because it is obviously so sensitive and has been so badly abused in some instances, and the very area that should be full of integrity has an element of deceit in some way, shape or form, surely it would be better if each one of you took it in-house, with direct responsibility and governance and control?

Justin Forsyth: That is the big question and it is the right question and we all do that in part already. I just raise two questions that I think you should consider when you are making up your mind on that, and we have to as well. One is the bigger charities like ourselves probably could do that. We could almost form our own agency and it could be a charity not for profit, and we should consider those things, or we could bring it in-house. But smaller charities cannot and many smaller charities need to raise money and it is much more costly to bring it in-house.

The other question is: do we not believe that the private sector can deliver good services if they are properly monitored and there are proper enforcement and standards? Surely—and it is much wider than the charitable sector—there can be good standards in the area of phone calls and mailings. What we are worried about is getting the balance right here. The public are first, but we also have to not use our scarce resources more expensively by doing it all in-house. That is the balance and the challenge that we face.

Q45 Chair: Before we go on, I have just been given a call script, which says if the potential supporter is saying, "I don't give my details over the phone. I don't do direct debits. I won't agree to commit to anything over the phone," there is a long list of things that the caller should say to persuade the person to sign up for a direct debit, including, "When the direct debit instruction arrives at the bank, they have to make sure it is genuinely from"—the name of the charity—" before they process it. If I wasn't calling from"—the name of the charity—" the only thing I could do with your bank details would be to put money into your account. The details I need are printed on every cheque you write." Would you expect your callers to have this kind of conversation with a potential donor when they are not actually calling from the charity; they are calling from an agency?

Mark Goldring: I do not think we would. I am struggling to take in all the detail, but that is not a script that I would think was an acceptable script.

Peter Wanless: Likewise, I do not know without looking at the script and the context, I am afraid.

Q46 Chair: We can share this with you. I think a lot of people listening to this session who have been subject to cold calls from charities—and I know they are not really cold calls in a technical sense because you hold the data and all that—will not recognise what you are saying. How many people actually complain who are fed up with a call?

Peter Wanless: Well, one of the issues has been it has been a tiny number and one of the things that I think we have been individually and collectively drawing out of this is that, with 350,000 NSPCC phone contacts last year and 121 complaints, somewhere between the complaint and various levels of dissatisfaction or concern is a richness of feedback that we need to get better at collecting.

Q47 Chair: How often have you telephoned people who have been telephoned and said, "This is the NSPCC here. You had a call from a fundraiser recently. Would you tell us what you felt about it?" Do you do that kind of research?

Peter Wanless: Yes.

Justin Forsyth: We do that and we also do that on street collections as well. You should ask the next group you have in about that. We look at that and it is called mystery shopping. We do also have our own helpline at Save The Children. People ring up and complain—I mean hundreds of people. As I say, it is down from previous years. I think, as you have revealed, there is a problem at the heart of this and it is: can we work with these agencies? That they do a service for us that meets our values is the challenge. I think we accept that challenge.

Chair: We have had you on the stand for quite a while. We still have a few questions to get through and we will get through them as quickly as possible. If we have short questions, short answers, we will be able to let you go. Thank you very much. Oliver Dowden.

Oliver Dowden: Yes, I think I will skip question 7 because I think we have covered that off, but I will move on to question 8.

Chair: Okay.

Q48 Oliver Dowden: Again, you have covered a little bit of this, but what specific steps have you taken in the light of these allegations to reform your working relationships with these organisations and your fundraising more generally? It is open to anyone.

Peter Wanless: We immediately published the NSPCC fundraising promise to set some kind of standards and expectations we could be judged against. We have visited all our agencies to discuss and reinforce the values that the NSPCC expects in those relationships, and to look at how they can become a richer and more rounded part of the contracts that we have. We have listened to calls, I have listened to calls personally myself, and we have accompanied representatives as they speak to the public about the NSPCC. We are reviewing all our training, the remuneration policies, to come back to a point that was made earlier, and the strength of the policies that agencies have in relation to the treatment of vulnerable adults, because the NSPCC has reviewed all its safeguarding policies. You would expect us to have strong ones in relation to children, but we have strengthened our vulnerable adults policy as well, and we want that to become an explicit part of the contracts we have with the agencies that work for us.

Chair: Does anybody want to add anything to that? Are you all doing that, too?

Justin Forsyth: We have done similar things. We have ended all of our agency work for telemarketing and are recontracting based on looking at stronger standards similar to NSPCC. We have also issued a supporter promise, which we had actually worked up before this current scandal, which tries to make these commitments more explicit.

Q49 Oliver Dowden: On one specific point that I think has concerned many people, frail and elderly people—obviously there was a tragic case—what steps are you taking specifically on that most vulnerable group?

Mark Goldring: Can I lead on that? To take the Chair's prompt, we have done two things in addition to the general scrutiny. One of them directly relates to vulnerable people. There is a good Institute of Fundraising standard that was developed last year with all the right input. We have chosen to say in the current context that we want to be safer than that, so what we have done is instruct our fundraisers that if anybody gives any sign or indication of vulnerability, it is not about testing the accuracy of that or exploring it; it is about saying, "Thanks very much, it's better that we send you something in writing," and politely ending the call at that point.

Then the other thing that I think helps on this is that we have said we will not accept those general consents from the lifestyle surveys and other kinds of things as consent to be contacted, so that people only get contacted if they very explicitly commit to do so.

Q50 Paul Flynn: The difficulty I have is about the context. I have never had a complaint about charity fundraising except for chugging, but I have had a huge number of complaints about other forms of abuse of the elderly, particularly by people who send them mail suggesting they have won prizes and they have to go in and they have lost huge sums of money, and by some Ponzi schemes and gambling schemes and so on. There seems to be an epidemic of that and it is very distressing when the cases come up. Could we put this in some kind of context about the level of complaints that you have, which seem to be tiny, and compared to other examples of abuse of telephone calls of this kind?

David Canavan: Yes, I think this is an extremely good point. Many of our supporters are elderly people and we are very conscious of the fact that we need to be able to identify those people who are vulnerable. We do not want to take advantage of vulnerable people; in fact, quite the opposite. We are concerned in general terms that we are able to identify signals. Anyone that speaks on the phone on our behalf, we train directly and we ensure that they are aware of the signals that they need to be looking for to identify the potential that the person is a vulnerable person. In those circumstances, we would terminate the call. If, in fact, that person has made any contribution, we would calculate that and return it to them. I think in society generally there is an issue that commercial organisations do target elderly people and people who are vulnerable. That is an issue of some concern. Society benefits so much from the work that charities do and it is in all our interests to ensure that the public have confidence in charities and in the way in which we raise our funds.

Q51 Paul Flynn: Every member of this Committee has just been through a general election. I think probably all of us have used, some to a great extent, telephone canvassing and it may shock you to hear that, delightful and charming as we are, many people resent those calls. Would you think that that would be a reason to ban politicians from having telephone canvassing, just as it might be overkill in your case to ban telephone canvassing because there is abuse but a very small level of abuse?

Justin Forsyth: I think it is important to differentiate between our supporters and the general public. We do not cold call members of the general public but we do call our supporters. But we then ask our supporters how much they want to be called, if at all, and they can say no. A lot of our supporters, like in this recent refugee crisis, want to be called or they want to be contacted and asked to give money. We have to ask; I think we have to make that difference and I think our supporters get annoyed with us if we do not ring them sometimes.

David Canavan: Yes, that is true.

Q52 Paul Flynn: While *The Daily Mail* is a splendid publication, one would perhaps question their values when they are hunting the BBC or the European Union and recently charities. The Government introduced a lobbying Bill, which had nothing to do with 99% of corporate lobbying but took a kick at charities. Do you think that in some way charities are under siege from Government and other right-wing elements?

David Canavan: I think they are but, as my colleagues have acknowledged, there is an issue here and it is about having a very calm, reflective discussion about how we can protect people, but at the same time society depends on the work that charities undertake. The RSPCA spends £50 million a year responding to complaints from the general public about abuse of animals and ill treatment of animals. Society wants us to do that. Society wants us to respond to that. We have to raise money somehow, but it is not in our interests to raise money from people who are left at the end of a phone call feeling uncomfortable or feeling pressured. We do not want that.

Justin Forsyth: I do not think we feel—I do not feel—under siege. There is more scrutiny of charities and I do not think that is a bad thing. *The Daily Mail* thing is probably—not probably, is—a good thing. It has done us a public service. The wider scrutiny of charities, even if it is unfair, is not a bad thing because we are big organisations and we raise a lot of money and we have public trust. All of us have made moves to be more transparent and open and I think it is a good thing and we have to go further down that road in general.

Q53 Paul Flynn: Very briefly, thank you for your evidence. I think it is very impressive the openness and the way that you have confessed that abuse has taken place. Can we now say that the lesson has been learned, the horse has bolted but now the stable door is firmly shut?

Mark Goldring: I do not think there is any foolproof answer on this. Members earlier talked about the challenge of chugging. One of the attractions of face to face fundraising is that younger people are twice as likely to give through face to face contact as through telephone contact. That helps us take the pressure off the older people who have for too long been the lifeblood of charitable donations.

We do not accept all the specific allegations of abuse as reported in *The Mail* but we do accept the underlying challenge and we are responding to it. It is not that we can get everything in order whatever system we choose to introduce. We are already trying to do better. We think the Etherington report and this Committee's recommendations will help do that. We will revisit, as has been earlier suggested, how much we should be doing ourselves as well as how we better supervise the agencies and we would support a stronger regulator. All of those things will contribute, but just as you know as politicians with feedback, we will not get everything right, but we can and are doing a lot more to give charities the reputation or maintain it and give the public the confidence that they deserve and we need.

Q54 Ronnie Cowan: I do not think anyone is questioning the laudable aims of the charities represented here, but can I suggest—maybe you will agree with me—that in the race to raise funds there is a danger that the people who are giving you this money are being treated more like cash machines?

Justin Forsyth: I really hope not. I think there is evidence with some of these mispractices that we need to fix, but more generally we also have some positive relationships with our supporters. I also think we are under unbelievable pressure at the moment as charities. We are scrambling in Hungary, in Greece, in Italy, in Syria. My colleagues are doing similar things in different ways in different situations. We have never had so much demand put on us, so we do need money but that does not excuse the practices. We have to do both at the same time.

Q55 Ronnie Cowan: The flipside of that is that within the United Kingdom, with the welfare cuts we have coming along, the people you may be phoning are also under incredible pressure simply to put food on their own tables. To find the extra cash, as they want to do, to support charities—if they are put under unfair pressure to do that, then you are putting the burden back on the people who are supporting you in the first place.

Mark Goldring: We recognise that public opinion says that we have some of this wrong. It does not say we have everything wrong and if you look at the amazing public response to the people of Syria in the last few days, you see that people do want to give and it is the lifeblood of our cause. We just have to rebalance it. I do not think we have it completely wrong, but I think we can do it better and we are listening harder and acting more effectively.

David Canavan: The message we are trying to give here is that we recognise there is an issue. We recognise we need to work together to try to solve that issue.

We also recognise that the public want us to carry on the work that we individually do to benefit society and we have to find a way of funding that work. It is not in the interests of a charity to alienate people who potentially would support it. It is not in its interests to do that. We need to ensure that we have taken every step possible to make sure that the people who receive communications from us feel supported, and if they do donate, they donate because that is what they want to do.

Chair: I do feel I have given you latitude to make your case. We still have some questions left to do, but do we need to ask these questions or have they already been covered? Kelvin.

Q56 Kelvin Hopkins: I have one on regulation, if I may roll my questions into one. Charitable fundraising currently operates under a system of self-regulation. My good friend Baroness Hayter, an Opposition spokesperson in the House of Lords, has described this system as being too weak, and it was time that the reserve powers enabling the Government to place fundraising under a statutory regulation were brought into play. What is your response to that? Should the Government now exercise its reserve powers, and if not, why not?

Justin Forsyth: I would advocate for a kind of hybrid of self-regulation and statutory. We do need a much stronger regulatory framework and what we have at the moment is not good enough. We need a body that is more like we have with the Advertising Standards Authority. It needs a code of conduct, not written by experts in the sector, but is more independent, and then it needs the back-up of the Charity Commission, which is the statutory bit of it. If charities are repeat offenders, it can go to the Charity Commission. I think stronger regulation, an independent code of conduct and statutory back-up, combined with real penalties as well, because that does not happen at the moment—not in terms of fines, because that is the public's money, but in other ways, for example, stopping charities being able to do types of fundraising if they are repeat offenders—would be much more of an effective regulatory framework than we currently have. It does not work, what we have at the moment.

Peter Wanless: I agree, it does not work, what we have at the moment. We have a real interest in increasing public confidence in fundraising right the way across the piece, with it applying to everyone who is working in this sector. I would echo many of the themes that Justin has highlighted as being the key features of a strong self-regulated system.

Q57 Kelvin Hopkins: You are saying yes to statutory regulation, effectively?

Peter Wanless: A hybrid, in my view: self-regulation and statutory underpinning, like the ASA and Ofcom, that model.

Q58 Chair: How much does that just reflect the fact that the Government has already started changing the legislation so you are going to have to accept that? When this crisis first broke, Mr Forsyth, you were making it quite plain you thought that there should be much tougher self-regulation; you were not talking about statutory at that time.

Justin Forsyth: The evidence I gave to the Etherington Commission is that we need both; it is a hybrid of statutory and self-regulation.

Chair: Yes, I appreciate that is the point you have made, but you have moved on a bit since we last met. One of the issues that we—

Justin Forsyth: If you look at the thing that I sent you, which was early thoughts, it talks also about the underpinning of the Charity Commission and the statutory too. We have always believed in those two things together.

Mark Goldring: Because one element of the statutory that we think is important is this needs to be universal. If it is a membership scheme, it is not universal, so it will need some kind of statutory underpinning to make it compulsory. That is where we think the greatest role of statute lies.

Q59 Kelvin Hopkins: Just a simple supplementary, just one simple one: would it not increase trust in the charities sector in general if there were to be more statutory regulation? Trust is important.

Mark Goldring: It would, and I do not think there is an in principle objection to statutory regulation. It is rather more what we think would be more effective.

Kelvin Hopkins: That is a yes.

Q60 Chair: The Information Commissioner's office, how effective is that in regulating charities' use of data?

Mark Goldring: We have just had a meeting with the Information Commissioner that has gone through all of the data-related issues that we have been talking about today and more. We do not think the problem is the formality. In other words, the regulator has said to us, "We think you are using data in a way that is legally compliant." Where we might to need to say, "Is that what the public expects?" and that is why we are looking at the issue of sign-off.

Q61 Chair: It is not about the tick-box culture; it is about whether you are using data in the spirit for which it was intended.

Mark Goldring: Also what the public now expects.

Justin Forsyth: The Information Commissioner has been very helpful, recently clarifying some issues about what we can and cannot do with the TPS scheme, for example.

Q62 Oliver Dowden: Just related to this, I am interested in your views on the amendments made by the Government to the Charities Bill and whether you think these will be effective in restoring confidence in charitable fundraising.

David Canavan: I think a number of those issues are welcomed. Certainly from our point of view, putting information in about our income generation activities and our activities with external agents included in our annual report and accounts would be welcomed by the RSCPA as a very transparent way of letting people know exactly what we do.

Q63 Oliver Dowden: Does anyone disagree on that?

Mark Goldring: No. We think they are a sensible first step, and Etherington, as well as this Committee, will guide as to whether we need to go further. But we welcome what has been done.

Oliver Dowden: Okay, thank you.

Chair: Are we all finished? Can I just have Andrew Turner? Number 14.

Q64 Mr Turner: What lessons do you feel that your organisations individually and the sector as a whole have learnt from this scandal?

Chair: You can each have one line.

Mark Goldring: Greater vigilance and recognising public sensitivity, not just to ourselves but to the wider approach of many charities.

Justin Forsyth: That our whole future is reliant on us treating our supporters and the general public with more respect than some of these worst-case scenarios showed.

David Canavan: Public confidence in charities is absolutely critical to continue our work and I think we need to work together to ensure that these issues are effectively resolved.

Peter Wanless: Yes, the centrality of understanding what high-quality engagement with an actual and a potential donor looks like is not about meeting minimum standards through some kind of rules-based compliance process. There are improvements that can be made to the regulatory regime, but this is about the values and the way in which we comply, individually and collectively, with the values that we hold as charities if we are to be confident that significant numbers of people are going to continue to help us in these important issues that we are facing up to on behalf of British people.

Mr Turner: Thank you very much.

Q65 Chair: I think we expect you to be like Marks & Spencer rather than double glazing or solar panels. Is that fair?

David Canavan: Yes.

Chair: Cheryl Gillan, last question.

Q66 Mrs Gillan: Yes. You made much of wanting to be honest and transparent, and we on this Committee have to understand the detail of what has gone on behind this sorry tale. We have asked you about the contracts with the agencies. I would be very grateful if you could all go away from this Committee and think whether you could share with us the detail of those contracts, because I think that would help us understand the terms and conditions in which you entered into those relationships and perhaps help us to understand better how things went wrong. I appreciate you may say "commercial: in confidence", but as you are being transparent and honest with this Committee, it would be good if you could share those contracts with us.

Chair: Perhaps it would reflect well on the companies concerned if they were to voluntarily accept that. You might want to rub out the numbers, but it would be very interesting for us to see those contracts.

Mrs Gillan: Can I just say that I have always been impressed by what you collectively, as four charities, do, and you do a great deal of good, but I am personally very sorry—and I hope you are—for those people that have been adversely affected by this fundraising activity. The word "sorry" I think would not go amiss.

Justin Forsyth: That is a good point, and we are sorry for the people that we have upset, our supporters and the general public that have been treated in this way. That is why we have come today to make quite strong commitments to put things right. I am very happy to say sorry to people that have been at the wrong end of some of those telephone calls.

Q67 Kate Hoey: Did any of you think of offering your resignations?

Mark Goldring: I did not. I—

Kate Hoey: No, that is all right. That is fine.

Mark Goldring: Okay.

Kate Hoey: No?

Justin Forsyth: No, I think we want to put it right.

Chair: Thank you very much indeed. We will now have the fundraising regulatory organisations, but we will take a one-minute break.

Examination of Witnesses

Witnesses: **Alistair McLean**, Chief Executive, Fundraising Standards Board, **Professor Andrew Hind**, Chair, Fundraising Standards Board, **Paul Stallard**, Chair, Public Fundraising Regulatory Association, **Peter Hills-Jones**, Chief Executive, Public Fundraising Regulatory Association, **Peter Lewis**, Chief Executive, Institute of Fundraising, and **Richard Taylor**, Chair, Institute of Fundraising, gave evidence.

Q68 Chair: I think we will have to start. We were waiting for somebody who has an early question in this session. Thank you very much for waiting so patiently and I hope you found the previous session interesting. I am afraid we do not have long. You are a very big panel, sometimes two of you representing the same organisation, so can I ask for your forbearance and say that it might not be necessary for every organisation to answer every question? If you could first identify yourselves for the record, please.

Alistair McLean: I am Alistair McLean, Chief Executive of the Fundraising Standards Board.

Professor Hind: I am Andrew Hind. I am the incoming Chair of the Fundraising Standards Board, taking up the post next week.

Paul Stallard: I am Paul Stallard. I am the independent Chair of the PFRA.

Chair: PFRA is the Public—

Paul Stallard: —Fundraising Regulatory Association.

Peter Hills-Jones: My name is Peter Hills-Jones. I am the Chief Executive of the Public Fundraising Regulatory Association.

Richard Taylor: I am Richard Taylor. I am the Chair of the Institute of Fundraising.

Peter Lewis: I am Peter Lewis. I am Chief Exec of the Institute of Fundraising.

Chair: To cut to the chase, you have heard what we have been talking about this morning. There is a very strong sense of disappointment from this Committee that notwithstanding our forbearance in our previous report about charity fundraising, somehow you have been deficient. I do not mean this as a personal criticism, but why are there so many of you, why do we need so many regulators and, bluntly, why have you not worked?

Professor Hind: Chair, could I kick off, because I have the benefit of having a fresh perspective, coming in as Chair of the FRSB next week. The fact is, as some of the chief executives were alluding to at the end, despite the best endeavours of everybody represented on this panel, we do not have an effective regulatory structure for fundraising. The serious events that have unfolded over recent months are a wake-up call, and they have to lead you, the Minister for Civil Society, Sir Stuart Etherington doing his review, and all of us to consider what changes to the regulatory structures are needed. I think there are, very briefly, four. May I quickly go through them, because I think they will underscore the points that Justin Forsyth and Mark Goldring were making at the end of their session?

We have to have an independent fundraising standards committee that is housed outside the Institute of Fundraising. I do not think we can continue with a situation where the rules that govern fundraising are set only by fundraisers, because that has led to a code of fundraising practice that is far too weak; it has failed to outlaw practices that the public have quite clearly said they find unacceptable; and we have to change the arrangements. There are too many vested interests at the moment involved in drawing up those fundraising rules. Appointing some independent members to the code committee, which the IoF have announced recently, is simply not enough. We have to create a truly independent standards committee. It needs to have a majority of lay members and of course representation from the sector and from fundraisers. It has to set all the rules for the industry and it has to be housed outside the Institute of Fundraising. The Fundraising Standards Board, the fundraising regulator, must be able to require changes to that code in the light of its examination of the concerns and complaints from members of the public that we have examined. That is what the ASA model is, that is the model that Justin Forsyth was advocating, and it is the model that I would strongly recommend to you.

The second thing, as Mark Goldring from Oxfam said, is that we cannot command adequate levels of public trust in fundraising if membership of the regulatory scheme for fundraising is voluntary. At the moment, charities can opt in or opt out of fundraising regulation. That is not the way of commanding public respect and rebuilding public trust, so we need it to be mandatory for charities over a certain threshold, possibly raising income of £1 million or more a year, to be subject to regulation by the FRSB.

Thirdly, I think we need in the FRSB to learn some lessons. We need to be more proactive. We need to implement a robust process of compliance auditing within the charities you have just heard from and other large charities. We cannot afford just to wait for complaints from the public to come in, as we have done in the past. That will need those charities to pay more, frankly, for the regulation of their fundraising.

Finally, there have been calls for a new, tougher regulator. You were discussing that with the chief executives at the end of the previous session. It is not for me to argue whether statutory regulation is the right thing or not. What I can tell you is that self-regulation is not working and it is not going to be able to work without some fundamental changes. If those fundamental changes are made, I think it can work. I do not think the Fundraising Standards Board needs new powers. I think we can drive significant behavioural change in the charities that you have just been talking to and others by taking a harder-edged approach than we have done in the past, nudging and encouraging changing behaviour through the transparency and oxygen of publicity for activities that are causing public concern.

Our work does need to be underpinned by the legal powers that the Charity Commission has. That was the point Justin Forsyth was making. When we are at the point where, through voluntary regulation, we cannot get changes in behaviour from charities in order to ensure that they behave in a manner that does not cause public disquiet. We do not have legal powers; the Charity Commission does. We need a formal memorandum of understanding to pass those cases across and for the Charity Commission to then engage.

Finally, it is absolutely essential that these big charities are truly committed to changing their behaviour. We have heard promises from them over recent days; you have heard promises from them today. They have to live up to those promises if the system is going to work properly in the future for the benefit of the public.

Q69 Chair: Thank you for a very comprehensive answer, and can I take it that everyone else on the panel subscribes to that view or are there differences of opinion?

Peter Lewis: Mr Chairman, you will find that there will be some differences of opinion. I would just like to start by saying that as the Institute of Fundraising, we understand that some of the practices that have been exposed are totally unacceptable and we would like to apologise to any member of the public who has felt under pressure to give. Giving should be a pleasure, not a burden. A charity's core purpose is to protect the vulnerable people, not to put them under undue pressure to give. I think you saw from the chief executives this morning an acceptance that practices had been unacceptable and the commitment to change.

I do not accept that the code of practice for fundraising is weak. It is always going to be a work in progress, as we respond to public concerns and as we respond to changes in fundraising practice. The last thing that fundraisers want is poor practice, so we welcome the exposure by *The Daily Mail* of practices that were clearly not good enough. We are now moving to address them. We are moving to strengthen the code: we have made some changes already and more are planned within the next week or two.

We do agree that there should be a new independent regulator. One of the problems with the current system, we believe, is that it is a membership-based system. Our members are strongly of the view that it should be a new regulator funded by a levy that applies to all charities. Our members have consistently said this. I gave evidence to this Committee three years ago where we said that every single charity, that fundraisers, should have to comply with the code. We now think that should be put firmly into practice. Our members think also—and we would agree with Andrew here—that there needs to be a much more robust regulator with stronger sanctions, to ban activity, if necessary, to impose fines, to impose compulsory training if practices are not the standards that we would expect.

Q70 Chair: To what extent is your institute an industry body that represents the industry?

Peter Lewis: Right from our inception. We were set up 32 years ago. I have seen the minutes of the first meeting, and fundraising standards were at the heart of that meeting then and they are still.

Q71 Chair: A meeting of whom?

Peter Lewis: What happened was that some of the bigger charities, some fundraisers from the charities that you saw today, came together. Fundraisers more than anyone else understand that public trust and confidence is absolutely essential for what they do.

Q72 Chair: To what extent do you represent interests of people raising money rather than the interests of the charitable sector as a whole or people who are giving money to charities?

Peter Lewis: I think that we sit in the middle. Our standards committee has the very difficult and responsible job of balancing the needs of charities to raise money with the rights of individuals not to feel under undue pressure, so that their aim is to create—

Q73 Chair: I understand that, but I think I am perhaps trying to make a point, which is that your perspective is going to be that of people raising money, rather than the clients, if you like.

Peter Lewis: That is true, and I would argue that fundraisers absolutely understand that the needs of the donor are absolutely central—

Chair: Understood.

Peter Lewis: —to the code of the fundraising practice. Their expertise is essential in setting a code that sets that balance between the needs of a donor and the duty of a charity to raise money.

Q74 Chair: Any other comments on Professor Hind's opening statement?

Paul Stallard: We also agree there should be a new single independent regulator with a separate form of levy. That will bring greater public confidence, more control to the sector, and at least when anyone does have a complaint to make, they know where to go. I think that is very important. From our point of view at the PFRA, our role is not a regulatory role; our role is a compliance role. It is about behaviours and it is about making sure that donors are treated the way we would wish to be treated were we approached on the street or were we approached at our doorstep at home. We do complete exercises only in terms of street fundraising and door-to-door, but this recent exposure of the problems in that sector makes us realise we are behind the curve in terms of not forcing our model into other aspects of fundraising, and that is what we fully intend to do.

Richard Taylor: Could I just add, very briefly, that we recognise the gravity of the situation? I do not think there is much to be gained by us trying to apportion blame too readily, because I think the sector in its entirety is culpable, and that includes the regulators. The point I wanted to make in response to Andrew is that I think it would be a grave mistake if we were to remove the expertise of fundraisers and those who know the technicalities of how to fundraise from the setting of the codes. I say that partly because I do not think it is the code itself that has been the main driver of the poor behaviour. We have to drive out malpractice, but I would say that at the Institute of Fundraising we have already appointed an independent chair of our standards committee, and we are appointing as we speak three lay members to that committee, because we absolutely recognise that what we had wrong was not to have the voice of the public in setting those standards. I do reject, though, the assertion that you should not have fundraisers involved in the practice of setting the codes, which, I would add, always seek to go way beyond legal requirements.

Q75 Tom Tugendhat: I was going to recap slightly, but perhaps we will move on slightly. I was going to ask about your actual current role in regulating the sector. Rather than just doing that, can you go into what powers you have at your disposal? I have heard words about what you would like to see, but what can you do now?

Alistair McLean: The Fundraising Standards Board is the regulator, and our powers are of course to name and shame. That is very significant, given the public trust and confidence that charities require, and of course any naming of bad practice at a stage 3 adjudication is very significant. We can ask them to suspend that particular fundraising technique if it is found to be falling far short of the right standards that we would expect. Those are the principal powers that we have.

Peter Hills-Jones: Just to add to that, in terms of street and door-to-door fundraising, our role at the PFRA is that we control access to street fundraising basically on behalf of local authorities, so we have some 104 agreements in place with local authorities, and what we do is we control access to those sites. That is our primary way of controlling what is happening. That caps the number of fundraisers that are able to work in any particular area. It will also specify where they can work and how often they can work, typically two days a week, for instance. On top of that, we also have a penalty point system, so if any of the fundraisers are caught out, if they are in breach of the rules, they can be penalised for that. That ranges from 20, 50 or 100 points, and that then translates into £20, £50 and £100 in terms of actual fines. The important difference is that local authorities as well, as part of the model that we have set up, are allowed to issue those penalties as well, which is a big reason they are very supportive of the model we have.

Peter Lewis: Our power is to set the code of fundraising practice, which sets the standards, as Richard said, higher than the law that charities have to comply with when they fundraise. Indeed, when there were public concerns around the compliance with our code on street fundraising, what we did was establish the PFRA to set up a compliance regime in relation to street fundraising. That has been successful in reducing the amount of public concern about street fundraising, and as Peter said, managing the amount of that fundraising. One of our learning from the last few months is that we need to work with the sector, and some of our larger members are already working with us to set up compliance schemes, mystery shopping schemes, in relation to other forms of fundraising. In relation to prioritising telephone fundraising, we are working out how we can put in place an effective compliance scheme to make sure that our members do not just sign up to the code, but that they also comply with it.

Q76 Tom Tugendhat: Can I just ask very briefly a follow-on? How often do you find you have to use your powers, or does the fact that they exist mean that you get compliance, broadly speaking, anyway?

Alistair McLean: I suppose not as frequently as you might have expected. Last year, the sector reported some 50,000 complaints. We run a three-stage complaints process. What typically then happens, if the complainant is unhappy about that, it becomes a stage 2 complaint; we intervene and we try to mediate. Then in the more serious cases, that will become a stage 3 adjudication. Last year we had 17 stage 2 interventions with the charities that are all members***—some nearly 2,000 charities are members—and then of those, there were only six further stage 3 adjudications that become public.***

One other final point I forgot to mention in terms of powers, of course in the worst possible case, if the bad practice is so significant, we can expel the charity from membership with FRSB.

Q77 Tom Tugendhat: But you cannot close down the charity. That is just a very public criticism, but it is not a**—**

Alistair McLean: Correct, and nor indeed can of course the commission remove the charitable status yet.

Peter Hills-Jones: The PFRA: we conduct around 700 mystery shops a year, so that will be over 10 a week. We will be issuing penalties almost every day of the week. That is basically a reflection of the scale of street fundraising. Typically today out on the streets of the UK there will be around 600 fundraisers talking to people, encouraging them to donate to many good causes as well. The proactive model in partnership with local authorities that we have managed to develop with local partners means that they have confidence that that fundraising taking place in their areas is of a sufficient standard. They will be checking themselves. We typically resolve any issues within the hour, and in terms of some of the testimonials we have provided from some of our partners, that reflects satisfaction rate of over 90% with what they are receiving from us as an organisation.

Q78 Kate Hoey: The question that arises from all of that is how on earth did you not pick up earlier or do anything about GoGen and Listen and all these complaints that the public have been aware of perhaps for much longer than it sounds like you have?

Paul Stallard: We clearly are to blame. There is no question about that. Instead of responding, we need to put ourselves in a position of being more proactive—literally to go in and look at practices, to check practices are being conducted properly. That is the huge lesson for the whole sector, quite frankly, from what has happened now.

Peter Hills-Jones: What we effectively have is a piecemeal system at the moment. The PFRA exists to effectively provide an additional layer of compliance for street and door-to-door fundraising. Most of the issues that have been highlighted in the press recently are primarily to do with telemarketing, so obviously, as Peter said, we need to be looking at adapting and expanding the PFRA compliance model and providing that as a service to our members, helping them get better at their own compliance. Not enough charities have their own compliance manager. It is not anywhere near developed enough as a mature function within many charities. Are they working closely enough with their own internal audit functions, with their own legal teams, et cetera? There is a huge body of work for us to deal with, which we are planning to do as part of our strategic partnership with the IoF. In concert with that, we do need a stronger independent regulator with stronger powers as well.

Q79 Kate Hoey: I have to say anyone sitting looking in must think what a sort of dog's breakfast it all is, quite honestly—the Public Fundraising Regulatory Authority, the other regulatory this. I understand what the Institute does. Are you both clear that you do not need both of you—both organisations?

Peter Hills-Jones: I would say in the long term, in terms of our strategic partnership with the IoF—just to clarify as well we have made a recent change to our name, so we are moving from the Public Fundraising Regulatory Association to the Public Fundraising Association.

Kate Hoey: I am sure that is going to make it very clear.

Peter Hills-Jones: Our polling numbers are off the charts, yes.

Kate Hoey: No, seriously, you are going to—

Peter Hills-Jones: Absolutely. In terms of our partnership with the IoF, as we effectively move from three to two organisations in the long term I think it will make a huge difference in terms of engendering a much greater degree of public clarity about membership, compliance services to members and regulation on the other side of what I hope will be a very clear divide.

Professor Hind: Could I just reinforce that? Clearly at the moment the structure is ridiculously confusing for members of the public, for parliamentarians, for anybody who has an interest in this issue. The serious point about that is that there were 52,000 complaints from the public last year when, I would suggest, an awful lot of people do not know how to complain and they do not know who to complain to. The underlying level of public dissatisfaction with charitable fundraising is, I'm afraid to say, significantly more grave than those numbers suggest. What we need to do is massively simplify the arrangements. Why can we not just have two organisations: one is responsible for representing fundraisers and is the trade body of fundraisers; the other is the regulator, in time-honoured fashion, setting the rules, holding organisations to account and being wholly accountable itself for the rulings that it makes? That is the way we need to go.

Richard Taylor: I think we can all agree that it should be simplified, and having three regulators is confusing, at best. As Peter Hills-Jones has said, we are working in partnership with the IoF and the PFRA with the intent to possibly even merge. That is important because we want to be the body that raises the standards. We will do that partly through setting the code, partly through training and offering training to charities, but also we want to be proactive in quality assurance—to make sure that we are doing what charities are not doing at the moment, which is doing some of that mystery shopping, listening in on agencies, checking behaviour is where it should be. We do think that should be separated from an independent regulator that is not membership-based, that has much greater sanctions than you have heard already.

I would just say that there of course have been far more than 50,000 complaints against charities in the UK. That is the number that have gone to the FRSB. The vast majority—90% plus, probably closer to 99%—of complaints, are handled by the charities themselves, and to a great extent to absolutely the satisfaction of the donor. I do not think we should lose sight that charities take their responsibilities very seriously. The last thing they want to do is cause stress or harassment to a member of the public or a donor and they do respond very well when there is a complaint. The complaint level is not about what goes to the independent regulator at the moment; that is a very tiny proportion. What we are saying is when a complaint has to get escalated to that level, we should have an independent regulator that cannot just act on behalf of its members, is a universal system, and has much greater powers than currently exist.

Q80 Kate Hoey: You would like an independent regulator, but you feel self-regulation, if properly organised and with public confidence, could work?

Professor Hind: It is not a contradiction between independence and self-regulation.

Kate Hoey: No, go ahead.

Professor Hind: Sorry, I am not quite sure what the question—

Q81 Kate Hoey: I think the allegations that have come through have exposed the ineffectiveness of the current system. We all agree that. That is the current system, self-regulation, but I find mandatory statutory regulation always to be avoided, if possible. Are you all saying that you can avoid that if we do look radically at how it is organised at the moment?

Alistair McLean: Yes, an independent regulator is absolutely what I think everyone is arguing for or supporting around the table. What is at issue here is where the code of fundraising practice sits. The obvious conflict I think the Chairman spotted early on was that the code is set by fundraisers and it is developed by fundraisers. We have ample evidence to share with you today if you wish to have it of many, many occasions when we have made recommendations for code changes and they have been kicked a long way down the road or kicked into the long grass and disregarded.

One particularly that is very relevant to the public mood was one to do with "no cold calling" stickers. Now, many of you will have constituents who do not want anybody knocking on their doors at all for any form of contact; they just do not want to be approached either late at night or during the day. The whole issue of no-cold-calling stickers was raised some 18 months ago. Our board recommended that the code of practice should introduce a clause that says that charities should not ignore no-cold-calling stickers and should respect them and not knock on doors with no-cold-calling stickers. Initially that was kicked down the road, then there was another adjudication. It took about nine months to set up a working party. The tragic death of Olive Cooke took place on 15 May, and it was only subsequent to that and after an enormous lot of pressure that both my colleagues on this table agreed that this should be introduced into the code. That is just one of many examples where we have a situation where the code is written by fundraisers who do not want to necessarily put the brakes on fundraising activity and stop that work.

Kate Hoey: Thank you.

Q82 Mrs Gillan: The four charities we had in front of us today are huge household names; they are part of our DNA in the UK, quite frankly. Is there a problem that these charities are "too big to fail" and therefore will always be in a commanding position?

Alistair McLean: It is fair to say that all of the charities represented around the table apologised, they recognise that they possibly are maybe "too big to fail" and they have all signed up to best practice. They are all members of the Fundraising Standards Board; they have all agreed to comply with the code of practice. But equally, those codes of practice at various points are quite soft. We made 17 recommendations following the huge public outcry to us following the death of Olive Cooke and many other contacts we had. We are still waiting. One or two of those have been accepted by the Institute. They have task groups working. But some three months later we are still waiting for those codes to be changed. Now, if those codes were changed, then I believe even the large charities would be paying attention to them.

Q83 Mrs Gillan: Can you provide those to us as well? Can you let us have the changes you propose?

Professor Hind: Absolutely. The 17, yes.

Alistair McLean: Yes, we can. We will do them separately, yes.

Peter Lewis: Can I just come back on this point really firmly? I absolutely reject the fact that the codes of practice are not strong enough. We obviously have to react to public concern, as it is expressed, from time to time. We have strengthened the code, as Alistair well knows, in relation to no-cold-calling stickers. It was incumbent upon us to go out and seek the evidence around what the real issue was: what the number of door stickers was; were the complaints in relation to door stickers—people knocking on doors—more than on other doors? We took that work very seriously with our partners at the PFRA. They went around and surveyed 30,000 doors and the experiences of those people. In setting the code, we have to be very, very careful about balancing the needs of fundraisers, of charities to raise money with the needs of the public. We have consistently been ahead of where the recommendations from the FRSB have been. We have set the code.

One of the advantages of being a network of fundraisers is we hear public concern out there through our networks. There was concern around the amount of use of the Three Peaks some years ago. The landowners were expressing concern about the number of people using the sites. We took action: we strengthened the code; we regulated the number of people.

Q84 Chair: Mr Lewis, how do you deal with a business or people who comply with the letter of the code but are not very nice people and their motives are not good, and therefore they are going to be working around the code to do things that most of the public would regard as completely unacceptable?

Peter Lewis: That is a very good point. Our code is absolutely explicit that charities are responsible for the work of their agencies**.**

Q85 Chair: Right, so you have passed that responsibility on to the charities themselves?

Peter Lewis: The charities have to manage that. One thing moving forward that we think might be an interesting thing to look at**—**

Q86 Chair: I must say, that is a bit surprising, but you are very explicit that as far as the values of these businesses that you represent are concerned, that is up to the charities as to whether they like their values or not?

Peter Lewis: We are also taking action. On Friday this week we have some of the biggest charities coming together with the agencies to look at exactly how they can work together to make sure that these practices do not occur again. The four chief executives earlier were very clear about their values and how they could get their values into those businesses. We are looking at how we could make that express in the code: for example whether in the code we can say that a charity has to use only agencies that accept mystery shopping and compliance visits. We are responding to the public concerns that we have seen and we are adapting the code in that way. That is the advantage of having a code that is live and can respond quickly to changes in circumstances. One of our members brought to our attention some practice around online fundraising. We immediately took action. We set up a group to investigate it; we changed the guidance. The guidance on vulnerable people that Mark Goldring referred to earlier came out of our members being concerned about how fundraisers should work with people in vulnerable circumstances.

Richard Taylor: Can I just build on that? We are missing a very important point around the role of compliance and being proactive and our role in training charities in meeting the standards that we require. In partnership with the PFRA we are looking to have a compliance regime that we do on behalf of the whole sector and improving standards before a complaint can ever take place. We will be very stringent about those standards because I think what has been shown here is if we wait for the complaint to come in, we have waited too long and a member of the public has not been served well by that current set-up. It should not be just about complaint handling. We need to be more proactive about raising standards.

Q87 Mrs Gillan: How many of these agencies are UK-based and how many are based in other territories, because there are these agencies based in other territories, and how do you enforce the code when it is a call centre in another country?

Peter Lewis: I cannot answer the question about how many agencies are based abroad. I can state the fact that since this came to light we have changed the code and made it absolutely clear that charities have to comply with the legislation as it is in this country and they have to make their agencies comply with the law as it is on this question. That was done within a couple of weeks of it being brought to our attention.

Q88 Mrs Gillan: But it is unenforceable if the agency is in a foreign territory.

Peter Lewis: It is not unenforceable, because we put the obligation on the charity to ensure that, so it is then their responsibility to make sure that their charities comply with English law, or Scottish law in the case of Scotland.

Alistair McLean: That is the real track to self-regulation, because you can introduce pretty fast new rules to impose upon those that can reach out to third parties, such as the one that has just been described.

Q89 Mr David Jones: You have already acknowledged that there are too many regulators and that we need one regulatory body. To what extent would you say you also need to engage in a public awareness exercise? The charities indicated earlier on that they had relatively few complaints, notwithstanding the stories we read about in *The Daily Mail*. Could that be because they simply do not know who to complain to?

Professor Hind: I think that is highly likely, and the thrust of your question is absolutely right. There has to be an immersion of the regulatory system in public opinion, or the other way round, however that should best be expressed. We need things like consumer panels, which operate in other industries, and that I hope the FRSB, in conjunction with colleagues around the table, can put together, because we need to understand better how it feels to be a member of the public, a vulnerable member of the public, on the end of an unacceptable volume of fundraising activity from charities.

The question that Mark Goldring posed in his evidence to you I think is a very good one, and it is difficult to understand how we collectively deal with it, which is that even if there is exemplary practice by every individual charity only contacting one of their donors once or twice a year in a perfectly acceptable way, it can still lead to dozens and dozens and dozens of contacts every month, partly because of cold calling by other charities, partly because of other charities that are being supported by that one individual. We need to find a way of dealing with that and having much more input from members of the public into the setting of the rules, into the setting of the code, and helping us interpret, as the regulator, what is fair and effective practice and what is not I think is absolutely the right way to go.

Q90 Chair: It is about engagement rather than the transaction, it is about engaging a person individually**—**

Professor Hind: Yes, absolutely.

Chair: —*a*nd making the person feel engaged rather than just subject to a transaction.

Professor Hind: Exactly, and that is what an awful lot of extremely experienced and responsible fundraisers will say to you: that this is not about transactions; it is about finding a way to relate a donor and a charity for the long term and each understanding where the other is coming from.

Paul Stallard: I think you are absolutely correct. Once all that we are doing now comes out of the wash and we have a solution, a preferred and understandable solution, it is massively important to explain to the public exactly what that is, and that will cost money and that will take time. You are absolutely spot-on on this.

Q91 Chair: Who should bear the cost?

Paul Stallard: I am afraid it is likely to be the charities who will have bear the cost, because it will not be cheap to do it properly. This is the world outside the charities, the third sector, and it will not be cheap. It is going to range between £5 million and £10 million—without any shadow of doubt a lot of money. But to make an impact that we all want to see from a public confidence point of view, it will mean an expenditure of that kind of level.

Q92 Kelvin Hopkins: Professor Hind started off by saying there is no effective regulatory structure. The Government has reserved powers, but you seem to have come to a consensus that there should be a stronger single regulator. There is evidence, I think, in the past that regulators have not been effective in other sectors;

they have become too close to the organisations they are supposed to be regulating, and in some cases, in 15 years or so, some regulators were leant on by Government not to regulate too rigorously. So independent, strong regulators are not always a great success. I am not averse to statutory regulation myself, but in the interim, before this change, before we get the system you suggest, should the Government exercise its reserved powers now?

Peter Hills-Jones: Just to pick up on those two particular points on independent regulation. If we were to move to statutory regulation and if that were to be funded by the Government, I think that would weaken the degree of independence, because potentially the regulator is being funded by Government, whereas the solution that is being offered here is one about charities funding through the levy that Richard highlighted for that regulator. In terms of where we want to get to at the PFRA, we think independent regulation can exist without invoking the reserved powers.

If you look at it, again, most of the issues at the moment are around use of data. The Data Protection Act has been in place since 1998. Are there sufficient open levels of communication between us as regulators and the ICO? I would question whether or not in the past that has been the case. We have a number of laws already on the statute book. We need to make a new system with a clearer division between the two organisations to work more effectively.

Paul Stallard: Building on that, the important issue there is that the regulator has teeth, irrespective of where its foundations lie. In my other job, my day job, I am in financial services. Financial services regulation, from the point of view of my customers when I was a bank manager many years ago, is the best thing that ever happened, because customers understand—they are forced to understand—exactly where they are. Think how much worse it would be had we not had the Financial Conduct Authority.

Peter Lewis: We are being very careful not to prejudge what Sir Stuart says, and we are laying out the principles that we should apply to a system. One of the principles that our members have said is that the system should be universal. If every charity has to comply to the high standards and every charity is therefore accepting the sanctions, the stronger sanctions that we are asking for, that is a fair system. If it is purely a membership-based system, it is hardly fair if some charities are accepting the high standards and the sanctions associated with it and others can deliberately opt out of the system. That is the situation that we have at the moment, where some charities are opting out of the system. We are not telling Sir Stuart or the Minister what his recommendations should be and what the legal framework should be. We are just setting the principles that should apply, which are that the system should be universal, so every charity in the UK should have to comply. Therefore it would then be fair to accept the sanctions from a new, stronger regulator.

Oliver Dowden: Are you suggesting independent regulation with a statutory underpinning to achieve universality? Is that the sort of model you think would work best?

Q93 Kelvin Hopkins: Just a supplementary: I am an old-fashioned statist myself. I like accountability to Parliament. With statutory regulation and accountability to Parliament, this arm's length approach with an independent regulator, you are quite away from parliamentary accountability. Put a case against what I am suggesting.

Professor Hind: I do not think I would want to put a case against it. It would be very good if there were regular contact certainly between the Fundraising Standards Board as regulator and an appropriate committee of this House, probably yourselves, because you have a very important interest in what is going on in the civil society space. We would welcome the opportunity to be challenged by you about how we are doing.

Peter Lewis: The important thing to keep is the ability to keep the code up-to-date with fundraising practices as they change and with concerns of the public as they change so that the code which people are held accountable to is flexible and fast-moving.

Q94 Ronnie Cowan: On that point, can I offer up a challenge to you and just maybe plant this thought with you? During this session, we have heard phrases—public opinion, consumer panel, inclusion, better understanding, public engagement—it seems to me that if we are suggesting one regulatory body to oversee a wide range of fundraisers that cover the spectrum of UK society, to move away from what is an ineffective set-up, that body should be reflective of UK society. We have talked to four heads of charities this morning, six representatives of regulators, and I have seen 10 men. Is it time to be proactive in establishing a better balance in the actual management of charities?

Chair: That might be our fault. We issued the invitations.

Ronnie Cowan: I am sure your invitations reflected the opportunities open to you.

Chair: But the point is well made.

Professor Hind: It is rather unfortunate that the four chief executives chosen***—and indeed, the six of us—are not representative of the reality of gender balance in the sector. It is a very diverse sector. There are huge numbers of female leaders in the sector. Unfortunately, you have not seen any of them today.***

Peter Lewis: That is even more the case in relation to fundraising, where over 65% of fundraisers are women.

Q95 Ronnie Cowan: Yes, fundraisers. I have certainly seen, visiting all the charities in my constituency, the vast majority of people who were doing the groundwork are women, but I would not say that is reflected in the upper echelons, if I can say that, of their organisations. I may be wrong.

Richard Taylor: If you look at the Institute of Fundraising, it is very gender neutral. We have as many female trustees as we do male. Our new independent chair of our standards committee, Suzanne McCarthy, is female. I think it is just slightly unfortunate in the way this has been set up.

Chair: I think it is a combination of unfortunate and our own fault as a committee, my fault, for not making sure there was gender balance on these panels. I acknowledge that and I take that on the chin. Mr Turner.

Q96 Mr Turner: Professor Hind, you gave the impression that below £1 million they would not need to register, but above £1 million you would apply your rules to them. Did I get that right?

Professor Hind: Not quite right. The point that I was suggesting was that above £1 million they would have to pay; below £1 million, I think participating in the scheme would not come with a bill attached to it, but there would still be an expectation that the standards applied.

Q97 Mr Turner: How many charities are above £1 million and how many below?

Professor Hind: We estimate there are just over 1,000 charities with a fundraising income over £1 million and tens of thousands raising funds with income less than £1 million.

Q98 Mr Turner: How much would be the cost of running an organisation like you have all described?

Alistair McLean: Currently the funding, we are paid as a membership fee. It is on a sliding scale. The smallest charities, with income of less than £10,000, pay a £31 fee, up to the largest fee that we charge of the largest charities of £5,000. We estimated that if we were going to continue as a membership body and certainly to provide the service we need for the sector, then it would probably mean trebling the fees from £1 million up to the £50 million level, which would see fees rising from, say, £300 in a £1 million of income to £1,000, and then for the large charities going from £5,000 up to £15,000; approximately.

Q99 Mr Turner: You mentioned the problems of complaints. Do you recognise the possibility that when people are fed up with complaining, they give up complaining and that does not mean there is no complaint?

Professor Hind: Absolutely, I do recognise that. That was the point I was trying to make. There is clearly a ratio between the number of complaints received by the system and the number of people who are unhappy. I do not know what that ratio is, but I think anecdotally we probably all have friends and members of our family who have been upset by charitable fundraising activity in recent times. I know I have. I see nods around the table. So it is quite clear that there are many more than 50,000 people unhappy with the current situation.

Q100 Mr Turner: What do you say***—I could ask any of you—is answer to this? What do you envisage emerging from the Etherington process?***

Chair: Was that what you set out at the beginning?

Professor Hind: I have no idea what**—**

Chair: You do not know what Etherington is going to come up with?

Professor Hind: No. Sir Stuart Etherington has taken evidence from a large number of people. He has taken evidence probably from all six of us, but dozens and dozens of interested parties and expert witnesses as well. It is for him to make his recommendations in the course of the next two or three weeks. I do not**—**

Q101 Chair: We will be scrutinising them. I think we are done. Thank you very much indeed for coming this morning. If I can invite the Committee to just stay behind for two minutes for a couple of private items, I would be very grateful.

But can I just ask finally, it must have been pretty shattering when you opened the newspapers and saw what was being revealed and what was written up in a very untabloid-like way; it was not sensationalised, it was real. What personal lesson do you take from that? What was the thought? Anyone in that situation would be thinking, "Oh, my God. What have I done? What have I not done?" What personal lesson do you take away about you and your organisation from this episode?

Paul Stallard: The need for greater proactivity; to get in among the process. That's very important to do going forward.

Alistair McLean: Having received and taken many a call in the recent months—many, many more than normal—it is deeply distressing and it certainly galvanises you to seek to make the change that we need to make.

Richard Taylor: I think we have learnt that we need to truly understand the mood of the public and the only way to do that, as Paul said, is we need to be proactive in getting closer and having much greater insight, and in fact not relying on a complaints-based system, because it just has not served the interests of the public.

Chair: Thank you very much indeed for your candour and commitment and we look forward to Mr Etherington's response. Thank you.