

Charity regulator issues formal warning to trustees of grant-making charity

Second inquiry into charity finds repeated failings by its trustees



**CHARITY COMMISSION
FOR ENGLAND AND WALES**

The Charity Commission has issued an official warning to trustees as it concludes its inquiry into Chesed Leyisruel Trust ([1141178](#)), a Salford-based charity set up to relieve poverty in the Jewish community and to advance the Jewish faith.

Following the charity's inclusion in a class inquiry into charities that had failed to submit accounts for two or more years, in May 2017 the Commission [opened a statutory inquiry](#) into the charity after it continued to fail in its duty to file financial information.

The inquiry used its powers to obtain the charity's bank statements. Scrutiny of the charity's accounts revealed serious concerns regarding 2 loans which the trustees had entered into.

A condition of the first loan required the charity to obtain a 100% mortgage on the property it had bought with the money. However, no mortgage application was made and the property was transferred to a third party. The second loan was made on the basis that the charity would buy a property and sell it at profit within 6 months before repaying the loan in full. That loan is currently outstanding, but no alternative financial arrangements are in place should the plan be unsuccessful.

Borrowing money is a big decision for a charity, so it is concerning that no independent professional advice was obtained. It was also unclear whether trustees considered all relevant factors in making these significant decisions that put their charity at risk.

Three of the trustees were also related, meaning that they likely shared

conflicts of interest. Despite this, the Commission found no appropriate conflicts of interest policy. The inquiry also found that record keeping and meeting practice at the charity were poor, and that trustees clearly failed to act on previous regulatory advice regarding the submission of financial information.

The Commission has therefore issued the trustees with an Official Warning setting out 10 steps that must be taken in order to rectify the misconduct and/or mismanagement uncovered by the inquiry.

Amy Spiller, Head of the Investigations Team at the Charity Commission, said:

This case serves as a reminder of the importance of good governance and careful stewardship of charitable funds. The public rightly hold charities to high standards, which these trustees have unfortunately failed to live up to. That's why we've issued this warning to the trustees, which sets out clear steps they must take to put things right.

We want to see charities thrive; that requires trustees to take their responsibilities seriously and consider all decisions appropriately. The trustees have demonstrated a willingness to address our concerns. I hope and expect that this will continue.

The Commission will continue to monitor the charity's progress, and expects to see evidence of the action taken within 6 months of the Official Warning being issued.

The full report of the inquiry is available on [GOV.UK](https://www.gov.uk)

Ends

Notes to Editors

- The Charity Commission is the independent regulator of charities in England and Wales
- The Commission's inquiry into Chesed Leyisrael Trust concluded on 20 June 2019
- The Commission issued Chesed Leyisrael Trust with an official warning on 17 June 2019
- One of the 3 related trustees resigned during the course of the inquiry and was replaced by an independent trustee.
- Section 75A(1)(a) of the Charities Act give the Commission the power to issue official warnings.
- An official warning is not a statutory direction. The Commission cannot use an official warning to direct trustees to take specific action. However, it must specify any action it considers the trustees or the charity should take to rectify the breach, misconduct or mismanagement. Furthermore, failure to remedy any breach specified in a warning can be used as evidence of misconduct or mismanagement including when considering whether to exercise other specified powers.

- The official warning can be found on the [charity's register entry](#).

- **Press office**

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