

# Press release: Charity Commission finds 'basic and serious mismanagement' in selling land at charity

The Charity Commission, the regulator of charities in England and Wales, has concluded that the trustees of the Spiritualist Association of Great Britain ([see 'Notes to editors'](#)) were responsible for serious mismanagement in the way they disposed of the charity's London property in 2010.

The regulator has today (30 March 2017) published a [report of its statutory inquiry](#) into concerns about the sale of the charity's property at Belgrave Square. The Commission received information that the property was sold on for £21 million by its new owners, shortly after the charity had disposed of it for £6 million in December 2010.

The Commission first became aware of this in 2013, over 4 years after some of the events took place. The Commission's report concludes that the trustees failed to fulfil their legal duties and responsibilities towards the charity, and that 'the failures and breaches were not minor or technical in nature' but 'amount to basic and serious mismanagement'.

The report criticises the failure by the trustees to obtain a report from a surveyor who was suitably qualified as required under charity law for a disposal of this type. It finds that the trustees failed to seek independent specialist advice about how to ensure the charity would benefit from a possible post-sale increase in the value of the property if a change in the use of the property and/or enfranchisement was secured, as happened here. The inquiry's view was that the charity should have known that a commercial company would only purchase the property if it had good reason to believe it would secure enfranchisement or successfully negotiate a change of use. The inquiry also concluded that the trustees failed to take proper account of concerns raised by the charity's solicitor before the sale was completed.

Although the trustees told the inquiry that there was a financial imperative to dispose of the property and there was only one prospective purchaser, the report concludes that the trustees failed to conduct proper due diligence into the buyer of the property, a shell company with no assets.

There were mitigating factors as to why further regulatory action in the case was not appropriate, including a retrospective valuation of the property subsequently obtained by the charity that could be argued as being supportive of the 2010 sale price. Also, the Commission did not find evidence that the trustees, or anyone associated with the charity, derived unauthorised private benefit from the sale or any indication of bad faith on the part of the buyer, and the main person who authorised the disposal is now deceased.

**Harvey Grenville, Head of Investigations and Enforcement at the Charity Commission, said:**

One of the purposes of publishing inquiry reports is to ensure other charities have the opportunity to learn the wider lessons.

This case highlights that disposing of charity land can involve complex arrangements, which charities need to be careful about and obtain proper professional advice on. But even for simpler deals, it's a reminder of why it is so crucial that all charities and trustees understand the basic duties set out in our guidance, '[The essential trustee](#)'.

These duties include trying to get the best deal for your charity and complying with the specific legal requirements that apply in charity law when selling or leasing charity land or property. The law in this area is designed to ensure that a charity's assets are protected and that when disposing of charity assets it is only in the best interests of the charity. We have developed more detailed [guidance on disposing of land](#), which we strongly recommend charities refer to and use.

The Commission's report sets out wider lessons for charities to learn from the case. The [full report](#) is available on GOV.UK.

Ends

PR 25/17

---

#### **Notes to editors**

1. The charity's full name is [The Spiritualist Association of Great Britain \(formerly The Marylebone Spiritualist Association\) Limited](#) (registered charity number 225455).
2. [The Charity Commission](#) is the independent regulator of charities in England and Wales. To find out more about our work, see our [annual report](#).
3. Search for charities on our [online register](#).
4. Details of how the Commission reports on its regulatory work can be found on [GOV.UK](#).