

Press release: Trustee removed and over £13 million distributed to good causes following the Commission's inquiry

A [statutory inquiry](#) into a poverty charity has found breaches of trust and duty by trustees who misapplied charity funds and failed to manage conflicts of interest. As a result of the investigation, over £13 million has been distributed to charities and the charity's former chair has been disqualified, following his removal, from serving as a charity trustee or holding any senior management function of any charity in England and Wales.

The Commission opened a statutory inquiry into [Relief for Distressed Children and Young People](#) in 2006 after concerns were raised about its management and administration. On opening the inquiry, the Commission took protective action to freeze access to c. £13.8 million held across 3 bank accounts in the charity's name.

The inquiry questioned the trustees about \$6.35 million which they claimed had been spent on building orphanages in Iraq. Investigators examined letters, photographs and detailed plans of building work. It later materialised that over \$5 million had been passed to non-charitable organisations or friends and family of the trustees in Iraq.

Funds equivalent to those misapplied, plus interest, were quickly repaid into the charity's bank accounts by the trustees. The inquiry considered this an admission by the trustees that funds had been misapplied.

In 2007, the Commission suspended the trustees pending consideration of their removal. The chair was removed in September 2007. The remaining trustees were discharged from their roles in 2008.

The charity's funds remained protected by Orders of the Commission. As a result of the trustees' conduct a potential tax liability of up to £3.5 million was identified. With no trustees remaining, the inquiry appointed an interim manager to take over the administration of the charity, settle any tax liability and make a determination on the charity's future.

As a result, between 2011 and 2016 the interim manager awarded grants of over £13 million to three charities working in Iraq to relieve poverty.

By this point the inquiry had found clear misconduct and/or mismanagement by the former trustees, including their:

- failure to act in accordance with the prohibition in the charity's trust deed on the trustees receiving financial benefit;
- provision of false and/or misleading information to the Commission;

- misapplication of the charity's assets;
- little or no knowledge of the financial controls and activities of the charity; and
- failure to manage conflicts of interest.

After settling any outstanding liabilities, the interim manager applied the charity's remaining funds before dissolving it. The charity was removed from the Register of Charities on 1 March 2019.

Michelle Russell, Director of Investigations, Monitoring and Enforcement at the Charity Commission said:

Our inquiry has relentlessly pursued these funds so that a significant sum could be safeguarded and applied to good causes.

A series of actions by the former trustees allowed charitable funds to be misapplied and put at risk. Our protective action ensured they put right their mistakes and have been held to account for their actions.

As regulator, we want to see charity thrive. This case highlights the lengths we will go to address misconduct and/or mismanagement in charities and protect charity property and assets so that the sector can inspire trust.

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

Ends.

Notes to editors

1. It is an offence under section 60 of the Charities Act 2011 to knowingly or recklessly provide the Commission with false or misleading information.
2. By virtue of his removal, the chair is disqualified from acting as a charity trustee or in a senior management function of any charity in England and Wales without a waiver from disqualification from the Commission or the Court. The charity's former chair is listed on the [register of disqualified individuals](#) maintained by the Commission.