



Policy statement

Commercial collectors

Introduction

House-to-house collections of donated goods are a crucial source of income for many charities and a popular way for the public to donate. In recent years however, collections run not by charities but by commercial companies, have become increasingly prevalent.

These companies sell donated goods for commercial gain, offering charities a share of the income in exchange for the use of their name and brand on collection materials. While 100% of profits from collections run by the BHF stay with the charity, the proportion of profits from commercial collections that go to the partner charity can be as low as 5%¹.

Policy statement

The BHF believes that all charities should be able to carry out house-to-house collections of donated goods. We believe that charities that choose to do this through working with commercial collectors should get a fair deal and seek to maximise the possible financial benefit from the partnership.

To enable the general public to make informed decisions about how and to whom to donate, clear and transparent statements should be included on commercial collection materials and any related marketing materials explaining:

- That the collection is being undertaken by a commercial organisation rather than directly by a charity, with the name of the commercial partner stated clearly and prominently on the front of the collection pack
- The financial benefits to the charity as well as to the commercial partner, including an accurate estimation of the proportion of proceeds going to each,
- What will happen to the goods donated, for example, whether goods are sold through charity shops and those of insufficiently high quality sold for recycling and reuse, or whether *all* goods are sold for recycling and reuse.

Any changes to the regulation of house to house collections across the UK must cover all collectors and should seek to ensure the public have all the necessary information to best make donations of goods to the causes they care about.

¹ See footnote 4 below

Background

House to house collections of donated goods are a crucial source of income to many charities. In 2011/12 BHF charity shops raised over £31.2million and our standard shops sales value was £98.4m, with 36% of sales income from goods donated through house-to-house collections. In a recent survey half of people who had received a bag from a charity collecting house to house collections donated cash or goods².

House-to-house collections by charities with shops, including the BHF, are conducted either by charity staff or by local sub-contractors. Once sorted, donated goods are sold in local shops, and those of insufficiently high quality are sold to commercial textile traders.

In recent years, house-to-house collections run not by charities, but by commercial collectors, have become increasingly prevalent. Commercial collectors are textile traders that work in partnership with charities - usually those without their own shops. The commercial company sells the donated goods directly to export markets, offering the charity a share of the income in exchange for the use of its name and brand on collection materials. Charities are normally offered a fixed amount per tonne of goods sold, or an overall guaranteed amount.

The proportion of profits that goes to charity is often as low as only 5% (based on published data on the prices of sorted textiles on international markets, collection and sorting costs, and statements on collection materials about the amount of money that goes to the charity)³. In comparison, 100% of profits from collections run by the BHF stay with the charity. Charities with shops make between £500 and £800 net profit for charity per tonne on goods collected through house-to-house collections⁴, while collection materials used by commercial collectors often state that as little as £30 to £75 per tonne goes to the partner charity.

In recent years the rising value of textile on international markets has led to a dramatic growth in the number and activities of commercial collectors. This increase is demonstrated by the sheer number of collection bags that households now receive. While the frequency with which shops conduct house-to-house collections is determined by the immediate stock requirements of each local shop, commercial collectors will tend to expand their operations for as long as they remain profitable. 50 per cent of the public report having received more collection bags this year than previously.⁵

The activities of commercial collectors have a serious impact on those charities, like the BHF, that choose not to form partnerships with organisations working for commercial gain. A Charity Retail Association survey found that commercial

² Charity Retail Association (2012) Consumer Research Report

³ The data on textile value is from Oakdene Hollins, *Maximising Reuse and Recycling of UK Clothing and Textiles EV0421, Appendix 1, Technical Report: Report for DEFRA*, 2009. The data on costs of conducting house-to-house collections and sorting costs is from Oakdene Hollins, *Recycling of Low Grade Waste WRT152: Report for DEFRA*, 2006

⁴ This figure was compiled by the Association of Charity Shops, based on data from member charities

⁵ Association of Charity Shops, *Consumer Research Report*, 2010

collectors were having an impact on 85% of charities running shops and that 92% of charities were concerned about commercial collectors⁶.

The response rate for house to house collections – the proportion of households that donated goods out of the total to which donation bags were delivered – was 9.8% in 2011⁷ compared to 16.3% in 2008⁸. Between 2009 and 2010 there was a 25% decrease in the number of bags donated to the BHF via house-to-house collections⁹. We estimate that we had to spend at least an extra £2.2million in 2011 on house-to-house collections of goods to achieve the sales from the previous year¹⁰.

Legislation

England and Wales

In England and Wales house-to-house collectors are required to obtain a license from the local authority to carry out a house-to-house collection, or to obtain a National Exemption Order (granted by the Cabinet Office for charities conducting a large number of collections)¹¹.

Commercial collectors in England, Northern Ireland and Wales are also currently required by law to make a 'solicitation statement'- a statement that provides prospective donors with information about the collection to help them decide whether to donate. This statement must indicate: which charities or charitable causes will benefit from the collection; if there is more than one charity, the proportions in which each will benefit; and how much of the proceeds will go to charity¹².

The Charities Act (2006) included a proposal for all house to house collectors to apply for a licence from the Charity Commission for England and Wales, as well as notifying the local authority. The grounds on which the Charity Commissions may refuse a certificate are outlined in the Act. These include the amount going to charity appearing to be inadequate. This section of the Act has not been implemented and the Charity Commission estimates that it would require £4million to set up the scheme and £1.5m per year to run the system¹³.

There was a provision in the Charities Act to review how the legislation is working after five years and the Office of Civil Society commissioned Lord Hodgson of Astley Abbots to conduct an independent review in 2011¹⁴. The review reported in 2012 and recommended that this part of the Act is not brought forward. The review recognised

⁶ Charity Retail Association, *Sources of Stock Survey*, 2011

⁷ Charity Retail Association, *Sources of Stock Survey*, 2011

⁸ Charity Retail Association, *Sources of Stock Survey*, 2008

⁹ This is an estimated figure based on data collected by local BHF shops on the number of bags of donated goods collected between March 2009 and June 2010

¹⁰ This is an estimated figure based on the additional money that we invested in house-to-house collections of goods this year in order to obtain the amount of stock we had the previous year, and therefore the amount of sales

¹¹ House to House Collections Act 1939, and House to House Collections Regulations 1947; see also www.cabinetoffice.gov.uk/voluntary-sector/charity-law-regulation/public-charitable-collections.aspx

¹² See the Charities Act 2006, and Charities Act (Northern Ireland) 2008

¹³ Office of Civil Society (2012) *Trusted and Independent: Giving charity back to charities. Review of the Charities Act 2006*

¹⁴ <http://www.cabinetoffice.gov.uk/content/charities-act-review>

that it is 'unfair and irrational' that commercial collectors are not subject to licensing requirements while charities are. The review calls on the Government to explore the options for licensing all types of house to house textile collections to equalise the position of commercial and charitable collectors¹⁵.

Northern Ireland

In Northern Ireland, collectors are required to apply for a license from the local police station; exemptions can be sought from the Department for Social Development¹⁶. The Charities Act (Northern Ireland) 2008 included provisions for a new house to house collections regime which would require all collectors to apply for a licence from the Charity Commission for Northern Ireland. A Commencement Order to bring the new regime into force was expected in 2011 but this has been delayed due to changes needed to other aspects of the legislation. An indicative timetable has not yet been set for making the changes.

Scotland

In Scotland there are currently no legal regulations relating to the house-to-house collections of goods. However, the Charities and Trustee Investment Scotland Act 2005 indicates that a licensing regime may be introduced¹⁷. It is anticipated that this may be addressed in the Public Benevolent Collections Regulations which were due to be introduced in 2011 but which have been delayed indefinitely¹⁸. The Charities and Benevolent Fundraising Scotland Regulations 2009 make requirements for commercial collectors to indicate how much of the money collected will go to charity, but these requirements do not relate to donated goods.

Clear and transparent information for the public

When asked why they donate goods to charity, members of the public most frequently say the main reason is that they want to support charities,¹⁹ yet many charities collecting through commercial collections receive only a small proportion of the proceeds. It is reasonable for the public to assume that their donated goods are as valuable to one charity as to another, when in reality there may be a very great difference.

Across the UK, information about the use of donated goods is often not presented sufficiently clearly and prominently on commercial collection materials because there is no requirement to do so. Some commercial collectors only present the relevant information on the back of bags and only in small print. Others only state the amount of money per tonne that goes to charity – information that is meaningless without an understanding of the total value of a tonne of donated goods.

¹⁵ Office of Civil Society (2012) *Trusted and Independent: Giving charity back to charities. Review of the Charities Act 2006*

¹⁶ House-to-House Charitable Collections Act (NI) 1952, and the Regulations made under that Act; see also Department for Social Development, *Northern Ireland Charities, A Guide for Trustees*, 2007

¹⁷ See the Charities and Trustee Investment Scotland Act 2005 section 91

¹⁸ BHF communication with the Office of the Scottish Charity Regulator, July 2012

¹⁹ Association of Charity Shops, *Consumer Research Report*, 2009

There is a serious risk that failing to provide accurate information on the destination of profits will lead to a loss of public confidence in house-to-house collections and a decline in donations, which would be damaging to the charitable sector as a whole.

The Charity Retail Association Code of Charity Retailing 2010-11²⁰ includes a requirement to present clearly and prominently on collection materials statements explaining:

- That the collection is being undertaken by a commercial organisation rather than directly by a charity, with the name of the commercial partner clearly and prominently stated on the front of the collection pack
- The financial benefits to the charity as well as to the commercial partner, including an accurate estimation of the proportion of proceeds going to each, as well as the actual amount per year)
- What will happen to the goods donated (for example, whether goods are sold through charity shops and those of insufficiently high quality sold for recycling and reuse, or whether *all* goods are sold for recycling and reuse).²¹

For further information email policy@bhf.org.uk

²⁰ Association of Charity Shops, *Code of Charity Retailing 2010-11*, 2010

²¹ See the Association of Charity Shops, *Code of Charity Retailing 2010-11*, 2010, for sample statements about what happens to the goods donated