



Ethical fundraising: how to conduct due diligence on potential donors

A guide for charities when considering whether to accept a donation.
How to find the information needed to inform this difficult decision.

What is ethical fundraising?

Ethics are a set of moral principles. Similar concepts include morality, virtue, honour, decency, integrity, righteousness, principles, trustworthiness and incorruptibility.

Ethics relates to fundraising when, as charitable organisations, we seek or receive a donation that could conflict with the set of moral principles we are governed by.

There are changing public expectations around the sources of funding and some high-profile cases which have led charities to increasingly question their sources of funding or even turn down funds.

So how do we get this right?

There are no right or wrong answers and deciding whether to turn down money shouldn't be easy. The Charity Commission's starting point is that charities should normally accept donations and use them to further their purposes:

'If you dig deep enough, every penny will have its baggage. We do not therefore generally expect trustees to refuse or return donations, though we understand that there may be some rare cases where trustees may wish to consider doing this... the risks must normally be significant if they are to outweigh the value of the donation to the charity' – more [here](#)

In its [practical guide to dealing with donations](#), the Chartered Institute of Fundraising advises that charities should only reject donations in exceptional circumstances, when:

- It would be unlawful to accept it (for example the organisation knows that the gift comprises the proceeds of crime); or



- Accepting the donation would be detrimental to the achievement of the purposes of the organisation, as set out in its constitution, and is likely to result in reputational damage with current and potential supporters

Ultimately, it's for trustees to consider the options and act reasonably in line with their powers and legal framework to determine what is right for their charity.

You can refer to further relevant codes and guidance such as:

- [The Nolan Principles](#)
- [The Charity Governance Code](#)
- Your own personal moral code (if something feels wrong, raise it, talk about it, and seek multiple views to reach a collective decision)

How much research should I do?

Remember to be proportionate – there is no point in spending days researching a potential donor for what is a small donation or one that presents very little reputational risk or chance of an ethical conflict (what is 'small' is unique and relative to your organisation).

However, if you need more time, say so (whether that's to the potential donor or your board). This can be a complex area and it's important to have enough information to make a decision – you should keep a record of the basis for your rationale, as well as a record of the decision itself.

Do I need an Ethical Fundraising Policy?

A policy can help front-end some of the difficult thinking and conversations involved in ethical fundraising. It can help define the level of due diligence needed depending on the size of donation relevant to you, and incorporate your organisation's approach to risk.

The Chartered Institute of Fundraising's [practical guide to dealing with donations](#) includes a 'Step by Step' guide to developing a policy.

What am I looking for when doing due diligence (also known as 'checks') on a potential donor?



The Charity Commission Compliance Toolkit [Know Your Donor](#) tool covers the key questions to ask about the legitimacy of the donor and potential risk involved when receiving a donation.

Depending on your charitable purposes, you may also wish to consider the following:

Do they invest or operate in any of the following ethically dubious activities?

- Alcohol production
- Tobacco production
- Gambling operation
- Weapon production
- Pornographic and violent material
- Animal testing
- Intensive farming
- Oppressive regimes
- Fossil fuel exploration and production
- High interest lending (non-standard sub-prime credit)

How responsible is the company and what is their approach to environmental, social and governance issues? For example:

- Business ethics
- Corporate governance
- Community
- Employment and labour
- Environment and climate change
- Human rights

Do their operations contribute positively to any of the following?

- Education
- Health and wellbeing
- Social infrastructure
- Sustainable solutions



Due diligence checklist

The following checklist can be used to gather the relevant information needed to inform a decision of whether or not to seek/accept a donation. The amount of information available will depend on whether the donor is an individual or an organisation. All of this information can be obtained for free, via public records – see useful links below the checklist.

	Checked? Y/N	If issues or concerns, detail here
Regulatory checks		
Are they registered with the relevant regulator e.g. Companies House, Charity Commission, Financial Conduct Authority?		
Are they compliant/ up to date with required returns or? Are they under investigation?		
Can you view their governing document?		
Can you view their accounts?		
Are the directors/trustees/individual connected to any other organisations under investigation or with repeated late returns?		
Internet and social media checks		
Are they present and active on platforms such as twitter, Facebook, Instagram, LinkedIn?		
Have they received any adverse publicity*? How long ago? What for?		
Is their brand well known? What is their reputation with the public/ your charity's stakeholders?		
What policies do they have e.g. anti-slavery, environmental?		
Are they publicly part of any networks, societies, membership organisations or political parties?		
Is the source of their wealth publicly known and potentially problematic?		
Who else do they donate to or support in other ways?		

*Remember you are looking for factual evidence and clues to possible public perceptions, so less traditionally reliable sources (such as certain tabloid newspapers), may still be relevant to inform the decision.



Useful links

[Charity Commission register](#)

[Companies House register](#)

[Financial Conduct Authority Mutuals Public register](#)

[Ethical consumer website](#)

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