WHAT PRICE FUNDRAISING REGULATION?

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*As it emerges that some charities have not paid the levy to the Fundraising Regulator, **Adrian Sargeant** asks if fundraising's new regulatory regime represents value for money.*

The profession of fundraising has been under attack since the damaging *Daily Mail* revelations in the Summer of 2015. The activities of a telephone fundraising agency putting pressure on vulnerable people to give were laid bare and a rash of media condemnation followed. The result in the late Summer of 2015 was the review of fundraising regulation chaired by Sir Stuart Etherington, the Chief Executive Officer of the National Council of Voluntary Organisations (NCVO).

That review took a pretty dim view of fundraising concluding that:

"The issue that has caused most public concern…is the industrial scale of fundraising activities undertaken and the persistent asking despite individuals' requests to be left alone."

As a consequence, a raft of new measures were proposed, including the creation of a new fundraising regulator (to replace the Fundraising Standards Board), new rules around the use of the telephone, a tougher interpretation of data protection law and a new Fundraising Preference Service.

But despite the claim that fundraising was somehow out of control and needed to be reined in, what real evidence is there that this was actually the case? What evidence led the authors of the Etherington review to reach the conclusions that they did? This has never been clear.

The evidence we can find strongly contradicts their characterisation of our profession.

An analysis of FRSB data, for example, tells that the number of complaints about fundraising that required the involvement of the previous regulator and ultimately an adjudication was microscopic.

Year	Adjudications
2016	6
2015	4
2014	5
2013	1

The 'spike' in 2016 was due to two judgements relating to individuals who had received unwanted clothing collection bags, activity that I have to suggest, just doesn't feel like a particularly good use of a regulator's time.

Our own analysis of About Loyalty data (a loyalty product offered by Roger Lawson and Wood For Trees) showed in 2015 that levels of donor satisfaction with the charities they support were high. More than 90 per cent of donors indicated that they were either satisfied or very satisfied with the quality of service provided by the fundraising team. Most companies would kill for levels of customer satisfaction in that ballpark.

So where then is the evidence of a widespread problem with fundraising?

As a consequence of the Etherington review we do now have a new regulator. A regulator that feels it needs an annual operating budget of up to £2.5 million and that necessitated £624,000 in set-up costs. That new regulator will apparently handle about 800 complaints each year, a figure I base on comments quoted in the media. Of these around 50 will probably result in investigations, and a small percentage of those might ultimately result in an adjudication.

So is this value for money?

An interesting comparison can be made with the Advertising Standards Authority (ASA) who regulate all other forms of marketing and charity communication. My analysis appears below.

Fundraising Regulator	**Advertising Standards Authority**
800 Complaints	30,000 Complaints
£3,125 per complaint	£263 per Complaint

Dividing their respective operating budgets by the number of complaints each regulator handles gives us a rough figure for the cost per complaint. The comparison is stark. Each complaint handled by the Fundraising Regulator will cost well over ten times that of a similar complaint handled by the ASA.

It is important to remember though that many complaints are trifles. Individuals regularly complain to the wrong regulator or can be directed to the relevant charity (or business) to see if the complaint can be resolved amicably. If not, the machinery of both regulators grinds into action and it is these investigatory matters that consume the majority of their time. It may therefore be a fairer comparison to look solely at investigatory activity.

Here the comparison is even more stark.

Fundraising Regulator	**Advertising Standards Authority**
50 Investigations	5,425 investigations
£50,000 per investigation	£1,456 per Investigation

There are clear economies of scale in the process of regulation. A regulator needs a chief executive, a director of policy, a press officer and a team of individuals capable of undertaking the investigations and publishing the judgements.

It is astonishing that no-one appears to have considered whether the low volume of fundraising complaints could ever justify this level of overhead.

Why should such a small number of complaints warrant its own regulatory regime?

It would have made much more sense, as I argued at the time, to give responsibility for fundraising to the ASA, whose remit (after all) includes all other forms of marketing communication, including charity communication.

It would also have made sense because economies of scale aside, many charities already pay to fund the work of the ASA (through the standard levy on advertising and print media) and asking them to pay to fund a second regulator on top of that feels inappropriate. We also have to remember that it is industry that pays for the ASA, and donors who will be paying for the fundraising regulator. That creates the necessity that we hold the regulator to account for the value they deliver both for those donors and our wider society.

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- *This article first appeared on the Study Fundraising blog.*