

# Understanding your Bank's mindset

**Speakers****Steph Charsley : Head of Deposits, UTB****Clare Mills: Deputy CEO, CFG****Chris Foy: Co head of financial crime, UTB****Steph:**

Well, good morning everybody, and thank you for joining us today.

It's great to see so many of you join us for what we hope will be a very insightful Webinar.

My name is Steph. I run the deposit Solutions team here at United Trust Bank, and we provide a relationship led service to our charity customers to maximize your deposit interest income, we understand the challenges that charities face and that charity banking challenges report in 2024 found that 92% of respondents experienced one or more issues relating to banking, and nearly a third found it difficult to open accounts with a new bank. We know from our own conversations with charities that some can face waits of up to six months to open new accounts for something as simple as a deposit.

We at UTB have done a lot of work on our KYC policies and procedures for the sector to ensure our account opening process can be as efficient as possible. We utilize an electronic DocuSign process to remove the need for physical signatures and forms being posted around to trustees for approval our account opening team, who have actually joined us on the call today, understand the different types of charity structures, and provided all information is correct, we can actually turn around new accounts within a week, which we know is unheard of for many banks.

If you would like to discuss further, potentially how we can support you as an organisation, please do get in touch. There will be details available at the end of the presentation today.

But to kick start the session, we do actually have a little poll which I will launch onto teams now. So please do answer and vote if you are able to, okay, so hopefully you can see the poll on your screen. So please do vote if you are able to that would be great.

Okay, perfect, so I can see from the results, and hopefully you can see them as well that around a third of people feel not very confident at all, and actually a third equally feel moderately confident and fairly confident. So quite an interesting split there. And only 7% of people said that they try to avoid it at all costs.

So a really, really interesting poll, but I will now hand over to Chris and Clare to introduce themselves, and we'll put the introductions up on the screen as well. So thank you. Over to both of you.

**Clare:**

Well, thanks so much for having us here today, and thank you everybody for joining us online. I really think this is such an important topic. I'm Clare Mills. I'm Deputy Chief Executive of Charity Finance Group for those of us that don't know us, we work with charities, voluntary organisations, community organisations of all kinds and all sizes, from the very small to the super major charities.

Our vision is really for all voluntary organisations, not for profit organisations to be able to put finance at the heart of strategic decision making and really use those financial levers to maximize their impact. Part of our mission, and that perhaps speaks to what today is about, is to shape a more supportive operating environment for all kinds of social purpose organisations.

We do that through working with government, with regulators, engaging in consultations, talking to our members, talking to the wider sector, to gather insight and trying to really shape policy and practices that can help organisations to operate more effectively or to remove barriers that are getting in the way.

And I've been doing a lot of work over recent years around banking, because, as you said from the report, Steph, we know that about 92% of charities have found a challenge with liaising with their bank getting the service they need. So it's a huge issue, one that just keeps coming up time and time again. So delighted that to hear some of the positive things that United Trust Bank has been doing and to be here today with Chris. Over to you.

**Chris:**

Thanks very much, Clare. So good morning everybody on the line (that's echoing). Clare, thanks for joining this webinar, and hopefully you'll find it useful over the next 60 minutes or so, as Steph mentioned earlier, I'm the co Head of Financial Crime, I joined UTB in January 2024 and actually, as part of my induction into UTB, I remember spending a lot of time with Clare and Niki in the room talking about charities and how we're best placed to help charities open accounts as painlessly as possible with UTB, so we did a lot of work last year on that.

Clearly this isn't my first job since leaving school. I've worked in several banks, large and small. Over the last 15 years in financial crime, I've been a money laundering reporting officer approved by the regulator, and I've also led many different teams in financial crime.

Outside of working in financial crime, I do enjoy other activities, such as gardening, traveling and walking. So that's me.

**Clare:**

Chris, can I just clarify that's anti financial crime.

**Chris:**

100% anti financial crime. Yeah, I might slip in a few acronyms, but I'm sure Clare will pull me up if I do.

**Clare:**

Always, always entertaining. I recently did our sexual harassment training, and I thought, no, that really shouldn't be called [that].

But back to banking. So Chris, I mean, what do you think?

You'll have seen this a lot in your role. But what do you think from the bank side is the biggest challenge banks have when trying to onboard charities and manage those charity relationships, because there must be some things that both parties have incongruent with both. Both those types of organisation are regulated for it?

**Chris:**

Yeah, that's the question, actually, Clare, so I think before I answer it head on, I think we've got to set the sort of scene, so to speak. So obviously satisfying strict legal and regulatory requirements is what we live in, in being in a bank in the UK in terms of offering flexibility to onboarding, maintaining charity relationships, is then getting that balance so first and foremost, as we know from the news that where banks don't get it right in terms of AML sanctions and other financial crime regulations. They can be basically taken through enforcement by the regulator, which could end up in fines, which it has done in the past. You only need to look at the FCA website to see lots of stories about banks, but they haven't had sufficient AML controls to mitigate the risk of money laundry.

So we're in a very strict environment. Obviously, if a bank is subject to regulatory censorship, this can also lead to reputational damage to the bank. So if that's the scene we work in which it is, then clearly banks have to make sure that their onboarding requirements are very stringent and compliant with money laundering regulations in order to protect themselves.

Now, the other side, of course, is banks are open for business, so we need to be able to onboard customers to get that business but the challenge, in my opinion, and I should say, at the start of this, all these opinions I give on this next hour, and not UTB's, they're my own personal opinions, in my own experience working in several banks.

But the challenge the banks is getting that balance right, so we make it, you know, flexible enough where charities and other companies can be on boarded with the bank, but we have to make sure at all times that we are fully compliant, not just with the letter of the law but the spirit of regulation around financial crime. So it is difficult, and it's getting more difficult as more regulations become stricter and tighter. It is always a challenge, isn't it, registered charities.

**Clare:**

People from registered charities who are on this call will know the relationship you have with the Charity Commission for England and Wales, with Oscar, if you're dialing in from Scotland. But that thinking always about, I have to you know, we need to be compliant with our governing documents. We need to be compliant with our own policies and procedures, and understanding that the people you're talking to about your banking are coming into from the same they're having to apply the same approach, but with a different set of regulations.

And so what do you think, Chris? What do you think Chris could? Not what do you think Chris! What do you think *banks* could do differently with regard to onboarding and ongoing management of those charity relationships?

**Chris:**

Yeah. So I think in terms of charities, little bit what I did at UTB when I first joined last year, I think you need to look at the approach. So in my opinions, charities need a tailored approach. They're not like, let's say, normal corporate business that we would on board. Charities are very different. As you know, they're they come in all shapes and sizes. Some are large charities, some are very small charities. Their objectives are also far ranging in terms of what they're trying to achieve. We then deal with charities.

Charities that operate primarily in the UK pose a very different risk to charities that operate overseas, particularly those charities who operate in what we perceive as high risk countries or even sanctioned countries. And obviously, as a bank, we understand that charities are there to do good.

And clearly, when there's a crisis in the world, that's typically where the charities will head to try and do that good, but from a banking point of view, that also changes a risk profile to us, because a lot of those countries we see as high risk from a financial crime perspective, and we have to make sure that the charities are basically aware of what risks they're running by operating in those countries, particularly from a sanctions point of view.

**Clare:**

Yeah, because there's so many, you only have to look at the news to see all those places around the world where there is desperate, desperate need, and people's response is to want to help and to try and make things better. But getting money from A to B can be one of the hardest things, because we don't want the money to end up in the wrong hands, effectively.

**Chris:**

Correct and from a bank's point of view, if we were to onboard a charity where they ran into difficulties in one of those high risk countries, whether it was a sanctioned country or just a high risk country due to terrorist financing, for example, repercussions to the bank can be quite severe, because if that charity was to fail, it could have a knock on effect in terms of reputation of the bank.

So we have to be very conscious of that.

**Clare:**

So I guess that's takeaway number one, isn't it? For charities, charities on the call is obviously we think about risks to our own organisation, but when we're thinking about banking, have a have an appreciation of what the risk view of your organisation might be from the outside.

So when charities are thinking about opening it a new bank account, or joining a new bank because they've found a service that suits their needs better, or for any other reason, Chris, what should they be doing thinking about, what should they be preparing ahead of starting that KYC process?

**Chris:**

Yeah, so going back to basics, I think really clear is just making sure they present themselves in the best possible right? So I think before they approach their new bank, they need to look at their own internal governance documents, make sure that those governance documents, number one, are clear. They're up to date. I say up to date. What do I mean? So for example, if they've had changes in their trustees, you need to make sure that the identification documents are supplied to the bank match what their governance documents say the trustees are clearly a mismatch will create concern by the bank in terms of who are the correct trustees that the charity is operating. But I think doing the homework before, the key here is before they approach the bank, not after they approach the bank. So they need to look at their governance documents. They look they need to look at their registration, if they are regulated by the charities commission, to make sure that details that they've got registered with the charities commission, again, is up to date, and it truly reflects what the charity is basically offering so for example, common mistake we find when we look at charities in terms of the registration of the Charity Commission is inevitably, if they do operate overseas, they may well operate in a couple of countries, but a lot of the time we discover that they've actually ticked most of the countries offered by the Charity Commission.

Now clearly, you know, for charities operating in one or two countries, that's a very different risk, as far as we see it, from the charity that operates in most every country in the world, including sanctioned countries.

Because as soon as we see a charity say they operating in, for example, Iran, Cuba, these kinds of countries, that gives us a big concern around sanctions risk. In other words, does the charity fully appreciate what risks they're running, from a sanctions perspective, have they obtained the necessary licenses or exemptions to be operating in those countries and how they monitor control those risks.

So there's some really tough questions there, and sometimes what we find is a charity doesn't operate in those countries, but they've been a little bit too enthusiastic when they've decided where they believe they may operate in in the future, and probably not understanding the repercussions of ticking every single country in the world on the website.

**Clare:**

So quite a detailed, detailed review of governance. Then, for instance, if you're originating documents say you have 12 trustees, and you find you've accidentally got 13, because one of them you haven't filed the paperwork from the designing and, I suppose, charities that are limited companies as well. Are making sure that Charity Commission and companies match absolutely countries. Is a really interesting one, Chris, and when we have our conversation before you know, to set up this call.

So something really found fascinating, because there is a huge list of countries that you could be operating in. So we're going to turn to our second poll here, and we're going to ask you to this isn't a test. We're not going to go and look up all of your record records on Companies House, but we're just interested. Then how many countries your charity currently has listed on the charities Commission website? How many boxes have you ticked? So Steph, is that poll open now?

Okay, we'll just wait a moment for you to come in on that. I mean, there are, I think there are, depending how you count them, there's around 200 countries in the world. So for a charity that's operating in all of them, yeah, it's going to be quite a big one.

**Chris:**

Yeah. I mean, another example I've seen is where a charity, I was looking at the charities Commission's website yesterday, but I found a charity on there that has an income of less than 10,000 pounds a year that seems to be operating in 40 different countries in the world. So the amounts that they're providing must be extremely small, yeah, or maybe they need to update their list.

**Clare:**

Does sound like there might be a bit of distance there between maybe reality and aspiration. And it's great to be aspirational about what you want to do as a charity, but I suppose be realistic about where you're actually operating. How's those results looking Steph?

**Steph:**

Yep, so 67% have ticked under 10. Only 4% have ticked four to 100 and 1% said over 100 um, but 15% of respondents said not sure. So potentially something to go and take a look at.

**Clare:**

Yeah, absolutely.

**Chris:**

100% definitely have a look at what has been ticked before you approach a bank from account, because I can tell you, that is one of the first places banks will look when they're considering an application. They will check the Charity Commission website very, very carefully to see what's being recorded there.

**Clare:**

And it's good to have all that information in the public domain, but it's really it can be a risk for charities not to keep on top of that information.

**Chris:**

Yeah. I mean, the other quick thing to mention that I see from time to time is on the Annual Report financials. So again, it's a red flag to a bank. If we look at a charity on the charity Commission's website, you find that their annual report, their financials, are behind/overdue. That doesn't put them in a good light, because then we have some concerns.

I mean, I've found some charities before where they have submitted an annual report for like, three or four years, so that that would raise an eyebrow if they're approaching a bank for a new account.

**Clare:**

Yeah, we know that's been we know particularly, there's been a challenge in availability in the audit market, which has been potentially delaying some people from getting their accounts in on time, but it's really important to do everything you can to get those get that filing in in good time and completed.

**Chris:**

Yeah, because you know otherwise, you end up in a bad light with the bank. It may just be, as you say, due to operational challenges, that they haven't updated their annual accounts or whatever, but banks wouldn't know that. No, they just look at the charity thinking that, are these yes, this charity really professional about what they're offering.

**Clare:**

Yeah, and it's the deadlines are there, you know where they are, yeah. So, so thinking about going back to these countries, this is so interesting, thinking about the countries that charities might operate in or deal with, what policies and procedures do they need to have in place, particularly, I think if we leave sanctioned countries one side, because I think there'll be a very limited case. But just think about high risk. For instance. I don't think there are any sanctions at the moment in relation to Gaza, but we will be seeing a lot of charities trying to do work there, given the humanitarian crisis that's unfolding, and often tensions all around the world where that could be the case.

**Clare:**

Yeah. So again, you know, charities are large and small, certainly for the sort of middle sized charities, and obviously the large charities would expect them to have well documented policies and procedures. And those policies and procedures, particularly if they're operating in high risk countries, should cover off subjects such as, you know, due diligence.

When I say due diligence, what do I mean by that? Due diligence on how they complete, due diligence on potential partners in those countries. Obviously, some of those high risk countries may have a high level of bribery and corruption, so we'd expect something documented about how does a charity manage that risk? Because clearly, if you're dealing with partners in a high risk country that is susceptible to private corruption, the bank be very interested in how the charity controls that due diligence they perform.

Obviously, terrorism occurs in some of these high risk countries, the bank's concerned with, again, making sure that if they're partnering up in those high risk countries, they're not partnering the wrong individuals organisations. So in other words, how do they screen those organisations or individuals to make sure they're not on the sanctions list and they're not carrying some, let's say, material adverse media. So it's really knowing who you're partnering with in those countries.

In terms of training is another important aspect. So we'd expect charities operating in those countries to not only train a UK staff, but also have some kind of training offered to anybody operating on their behalf in those countries, terms of what financial crime risks they should always be considering, what are red flags, or should they refer back to the UK charity if they see that behavior?

So for example, facilitation payments, they are illegal under UK law, we wouldn't expect to see a charity operating in a high risk country to be allowed facilitation payments get stuff done quicker. You know, there's very few in law. There's very few situations where you're actually able to offer a facilitation payment, but it normally needs in a life and death situation, yeah, but your life's at risk, that would be potentially a kind of exception, but most of the time you shouldn't be involved in those countries. But again, it's educating partners of the charities in those countries who may not be aware of that UK law.

**Clare:**

Yeah, really understanding the nuts and bolts of how, how life is in those countries, what is and what isn't okay.

So I'm just thinking, Is there anything on top of that, that if you, if charities are working in a sanctioned country, because some people will be what extra policies and procedures might they need?

**Chris:**

Yeah 100%. If you're working in a sanctioned country, you definitely need a sanctions, policy procedures, and within those procedures, it should be very well documented, how does a charity obtain authorisation from the UK Government in terms of permission to operate in those countries?

So for example, some countries in the world are comprehensively sanctioned, which means if a charity wants to operate in those countries, it's not impossible, but it's very complex in terms of obtaining licenses or exemptions. If you get it wrong, the repercussions are quite severe on the charity and the bank if they're operating their transactions through a bank.

So banks are on as well in terms of preventing transactions with sanctioned countries that are not authorized, ie, they don't have a license. In terms of financials OFSI is the UK sanctions regulator. So that would be, that would be, we would expect the charity to obtain those licenses from, but again, the bank would probably need to see evidence they've got those licenses in place before they'd be willing to transact.

**Clare:**

And where can charities turn if they want to for advice on how to go about dealing with this?

**Chris:**

So personally, I would say, if they're not sure what they need to obtain, you probably need to get specialised legal advice or approach or regulator for some advice, but definitely get the advice. Don't take the risk.

**Clare:**

Don't just try googling it without it for yourself.

**Chris:**

No sanctions is such a complex area that you know is a minefield unless you really know what you're doing. Shouldn't be going into those countries.

**Clare:**

Well, that's that's good to hear good, nice, nice answer there, I think. And just think about, because you might find charities in the UK deciding that, rather than don't do things themselves in another country, they'll form a partnership with an organisation in country. What sort of checks and balances do they need to put in place for that? Does it all come back to due diligence?

**Chris:**

I think, I think due diligence is key here. I mean, obviously, if their partner not well known large charity, where we know that the large charity has got all the checks and controls in place that will help the smaller charity in terms of not having to duplicate those, but if they're operating with a partner that's, let's say, not a well known charity, but just happens to be an organisation based in that country, due diligence is really important, because you may have a situation where that organisation may have individuals embedded within it that may be on the sanctions list, and so the last thing you want to be Doing is partner with an organisation where some of the controllers actually on the sanctions list themselves. Again, that put the charity in hot water with the regulators under the law.

**Clare:**

So a lot to think about there, particularly for charities working overseas then. But just bringing it back to more broadly, relationships within the UK.

One thing we hear of frequently is charities going trying to communicate with our bank. We haven't got any response. We haven't got anywhere. But also banks saying we're trying to get information out of this organisation, and we don't seem to be getting what they need. What should charities be doing on For their part, to ensure their bank relationships are kept up to date with changes in the countries operating, or actually in any changes at all, whether that's, you know, changes in what they're up to in the UK?

**Chris:**

Yeah, I think, I think two words, effective communication Clare, to be honest. I've seen it on both sides of the fence. So I've seen it where I've been sat on the bank side of the fence. May have not at UTB, but other banks, and sometimes communication isn't always clear to the charities, but I've also seen cases where the banks reached out to the charity to obtain information, the charity may respond, but they may respond by answering a different question.

So if the if the bank asks you to provide information on x, the charity shouldn't be coming back with information on y, because then again, that maybe not always valid, but that forms some sort of red flag suspicion in bankers mind that the charity may be evading answering the question, and it might not be at all. It might just be that the charity didn't understand the question and came back with what they felt was the right answer.

So to kind of fully answer your question, I think it's really, really important that a charity has an open dialog with their bankers in terms of providing information to the banker on any material change in the way the charity is operating. It's better for the charity to be upfront with the banker, rather than the banker to find out by seeing the change in

transactions, whether that's in amounts frequency or even where the funds are going to and coming from, because banks do have those monitoring systems switched on, they are obliged, under their regulatory obligations, to monitor transactions, not just for fraud, but also for money laundering and terrorist financing and sanctions.

So in my opinion, it's always better for the charity to approach the bank upfront say, Look, we're considering going into this country. This is the work we're going to perform to make sure we've got all the sanctions, regulation permissions before we enter that country, rather than don't communicate to the bank, the bank discover that suddenly their payment transactions have suddenly changed. Then the bank's under an obligation to form an investigation, and then eventually, we'll approach the charity to understand the explanation for the change in their business profile that doesn't put the charity in such a good light.

**Clare:**

So for instance, and just taking this more generally, out to charities, if you're a charity and you've regularly got sort of £10 to £20,000 in your account, and then suddenly £300,000 appears. That's going to trigger, yeah, the bank going, what, where, how?

**Chris:**

Yeah, no, 100% so that's painful for the bank, because what will happen that will trigger the bank will then need to look through different lenses of that, and now, so look at it through a fraud lens. As we know, fraud is biggest financial issue at the crime issue only in the UK, due to the volume of scams, frauds. And we're there to protect charities as well as making sure we're doing the correct thing. But the bank will trigger on those on that big amount that's outside the charities normal profile. It's all about profile. So if a charity has an income, typically of £10,000 a year, and the bank sees that for several years, suddenly, as you say, a large credit comes in for £100,000 that will definitely trigger an alert by the bank, which will then end up the human being in the bank who's actually to do an investigation to understand where's this money come from? What's the source of funds? Is it come from a legitimate source, or is it come from an illegitimate source? And there'll be questions between the bank and the charity to explain.

The bank, if it's a large amount, may well ask for evidence from the charity to show that the funds are legitimate they've received. It might be a donation from a will. Who knows? It could be a number of reasons, but there has to be some kind of documentation around that.

**Clare:**

And potentially that money being frozen until we get to the end of that.

**Chris:**

Well, that's quite severe, yeah. So what typically could happen is if the if the bank forms suspicion that this approach is a crime, then under the law, they have to take action, and that could, as you say, ultimately result in the account of the charity being frozen, yeah?

**Clare:**

Which another whole layer of pain to add on top?

**Chris:**

Yeah. Because then, if it's legitimate credit, it can affect the charity's operation. Because they won't be able to withdraw funds, the account become frozen, bank do an investigation, which may result in the bank going to the regulator for permission to allow the charity to operate.

**Clare:**

So it's so it sounds as though, particularly if you, whatever the scale of your organisation, if anything is on your radar, is going to potentially look unusual to the bank. If you're selling an asset, you're expecting a legacy, you're holding a major fundraising event that's going to suddenly bring in 20,000 pounds that you haven't done before, or 100,000 pounds, or more than that, if you've done an absolutely massive event, what should people do? How do they how do they let the bank know?

**Chris:**

So obviously, different banks have got different ways of communication. So depend on the size of charity. They may have a dedicated relationship manager. If they're a smaller charity, they may not have dedicated relationship manager, but they need to get in contact with the bank in the normal way to contact the bank, whether it's through customer services or relationship manager, and say, just giving you a heads up, this is going to happen on my account, just so you don't have any concerns. The charity should also be prepared to provide documentary evidence to the bank if asked. They may not always be asked, but they may be asked depending on what the transaction is.

**Clare:**

So could even be something as simple as this year, we're going to run a Christmas campaign or a Ramadan campaign for DACA. So we are expecting increased donations. And the key there, you said, for communication, it's all about that, and just get in front of the event that you're anticipating and make sure your bank are aware of it.

**Chris:**

It's also to protect the charity, because we've been talking about credits coming into the account, but also the amount of fraud that the UK is experiencing right now, banks are very strict in terms of the payments are going out of customers accounts to make sure that the payments going out is what the customer wants, and the customer's account hasn't been hacked through cybercrime or whatever else. So if, for example, suddenly, you know, a charity is making a payment which is much bigger than their normal transaction. So normally they don't do a transaction more than, say, £5000 in any payment, but suddenly they send an instruction to their bank to make a payment for £50,000 so 10 times normal amount, again, that will probably be detected by the bank, and if they're not forewarned by the charity, then they will block that payment until they can satisfy themselves. So the charity has authorised that payment and it is genuine and it's not the charity being defrauded.

**Clare:**

And that's a really helpful safeguard to have on your account. If it is fraud, you're being protected by the bank systems. So try and help those systems run as smoothly as possible, to free up your resources. So just thinking about, sort of more broadly, governance, what we hear about KYC, know your client, know your customer, a lot, not the chicken people.

It's nothing to do with that. What, what is core KYC, and why are banks now asking for that in relation to all trustees linked to a charity?

**Chris:**

Yeah, so the short answer is, core KYC is required under the banks money, green tariffs, financing applications. The longer answer is, banks will be looking at those trustees, so they'll need to understand who those trustees are in terms of helping to determine what they perceive the risk of that charity brings to the bank.

So for example, if the charities got 10 trustees, one of those trustees is a foreign PEP - sorry about the acronym, politically exposed person - that will definitely change the profile of that charities risk profile with the bank.

**Clare:**

And is that even if that person isn't a signatory on any of the account the accounts just merely being a trustee in that situation?

**Chris:**

Yeah, PEPs under the money laundering require enhanced due diligence. So as soon as we see a pep in any part of the documents belonging to a charity, we are obliged to conduct enhanced due diligence to understand what that PEPs involvement is in the charity.

Now, it may well be a very innocent reason why that PEPs involved in the charity, but we also know that, you know, pet foreign PEPs especially, pose a higher risk to banks in terms of financial crime, particularly where we see PEPs trying to disguise their funds being moved out of their own country into the UK.

So banks are very alert to any side of a PEP banks have got systems that identify whether individuals are pebble so they run those trustee notes with their own internal systems.

**Clare:**

And what, what might trigger someone going from being a civilian to being a PEP like and we've just had elections last year. We just had a general election, loads of new members of parliament, for instance.

**Chris:**

Exactly so you could have an individual business person who suddenly decides, for whatever reason, they want to become a member of parliament, they want to take a senior role in government to some form. The description as soon as they take on that they meet the definition of a pep in terms of they can influence that government.

Now, PEPs are not equal. So UK PEPs generally are perceived as lower risk compared to overseas peeps coming back to the country risk assessment we talked about earlier. This is where it's important for charities to understand country risk. There are websites out there that give indications of what countries risk is in terms of bribery, corruption, transparency, international, for example, for a very good website, and they offer an annual country risk rating across 200 countries. So if a charity is dealing with a country where it is considered high risk and a pet from that country is part of their governance arrangements, whether they're a trustee or they're a signatory or some other form of Governor within the charity

that will raise a red flag to the bank, because they'll be concerned, is, is that? Is that PEP there for any reasons other than help to charity?

**Clare:**

So always hoping for the best, but thinking about the worst case?

**Chris:**

Yes, like I said earlier, Clare at the start that banks are strictly controlled under regulations, and they have to meet those regulations. And on the peps, there is a requirement to conduct industry diligence until you find out you know the PEP is legitimate, you have to keep asking for information. Yeah, so the charity may not always understand why the bank is asking information on one particular individual out of many trustees. There is a good reason for it.

**Clare:**

And I guess that comes back to what you were saying before you know. So the question, don't answer the question you wish you'd been asked. Then if you don't understand the question, ask for more details,

**Chris:**

Ask the bank to clarify what is the information that you need to help you answer it correctly? Because yeah, you've got to remember that in most of the banks that the KYC team is different to the compliance team.

So we operate a free lines of defense model, so the business typically sits in the first line. People like me are hitting the way in the second line, and then you've got a third punch in internal audit. But point is, the person on the first line be there to open the accounts quickly and efficiently, but if they hit too many red flags, it will really slow down the account opening process.

I think, as Steph said at the start, you know, some of these accounts can go on from knobs and knobs before they finally approved. And what, what you don't want by a charity answering the questions wrongly, innocently, no, no reason why they wouldn't answer it is then that individual who's on the first line may have to refer that application to a senior person in the team. That senior person in team then has to refer it back to somebody like me, and so it goes through a lot more scrutiny that will slow down the whole process and make the application open for the charity a lot more painful and be more friction on that journey.

**Clare:**

And that can feel hugely frustrating as a charity if they don't understand why that's happening. And I suppose it also contrasts so much with our experience as individuals. So I opened a new savings account the other day on my phone. It took me 10 minutes. And compare that to opening an account for a charity that can then get caught up in all those other questions. It's two vastly different experiences, and the one can make you more frustrated with the other.

**Chris:**

If it's any consolation, opening corporate account is also quite difficult. So it's not just charities, not picking on charities, but opening any kind of corporate account nowadays, there's a lot of work that's on in the background before the bank would be happy to operate that account.

**Clare:**

I think that, that in itself, is probably quite reassuring for people who are on this webinar and for others, because it can feel sometimes like charities are the poor relation and always get stuck in the weeds and everything. But to hear that, it also happens to corporates. That's that's useful to know.

We talked quite a lot about trustees and but what about donors? Why do banks need to know about donors, and particularly those who've donated 25% of the charity's income.

**Chris:**

So from the donors perspective, 25% is important to banks, because if we get a charity where they got particularly large donor who provides more than 25% of the income to the charity, one one area of concern, from a bank's perspective, is, does that individual donor command too much control or power over that charity? In other words, is that charity still fully independent, or because somebody's given 50% of their annual income, they're now basically being controlled by that individual? So that's that's one concern we have to consider.

In terms of banks regulatory obligations there is an obligation on banks where we have to understand anybody who's considered to have more than 25% beneficial ownership of a company, and that's clearly different to a charity. But the point is, if somebody's giving 25% of income of a charity, they also then have to be considered, are they have that? Do they have a beneficial do they have control over the beneficial, recipient of the charities funds? Because they could have that influence. So the banks really have to understand, number one, who this person is, or organisation is, has the charity done the due diligence on individual organisation to make sure the funds are legitimate, and also, can they provide bank source of wealth evidence if required?

So it clearly depends on the amount of money involved. But if it's a material amount of money that most likely will be required by the bank.

**Clare:**

I mean, that's a useful thing to look into anyway, isn't it, because if 25% of your income is coming from one individual, one source, how does that affect your business model? You know, that's what I'd be thinking about as well in terms of risk profile, if that income stream would be cut off if they've got potential issue. But also for bank interesting, you said you used the word beneficial there. And for charities, the word beneficial beneficiaries is something we talk about, that everything we do is for our beneficiaries, the community we serve, the people we serve. And that's something that I've come across quite often, is people in the banking world and people in the charity world using the same word, but having very differently.

So it's also about understanding the language that we're each speaking, isn't it? And if some if the bank is talking to you about beneficiaries, they don't necessarily mean the people that you're there to serve. So just sense, check what you're reading and see if that's the right question.

Are there any other resources you think it'd be useful for charities to help or to read or to have a look at?

**Chris:**

So two resources, charities commission themselves, offer some excellent guidance toolkits in terms of a compliance perspective.

I think we may have referenced some of them, I think we will send out those links.

But within the charities commission actually had a refresh of it yesterday. I just wanted to see if there's been any updates. But the information includes very valuable information on due diligence, risk assessments, making sure that your charity has a clear understanding of where the payments are going to receive and from.

It also talks about how the charity can protect themselves from cyber crime, fraud, which is everybody's mind nowadays.

And you know, it talks about what charities should be doing in terms of training with the staff, how they should be vetting their partners if they're operating abroad, what sanctions considerations they should consider. So there's tons of really useful information on there. So definitely recommend that.

Then, of course, your own organisation to look at, I took a look at that. Your website. Now, I know you've got a very good section on there on your website terms of information that charities can use that guidance to help them as well in terms of managing their risk. So they're, they're the two resources. I definitely think it's worth anybody who's involved in a charity to read those.

**Clare:**

Always nice to get a product plug. But yes, I would recommend all the things that you've talked about, particularly also, I think the Charity Commission was around financial controls. And there's a huge wealth of information on CFG own website. And one other thing is that there is a voluntary organisations banking guide that we collaborated with, which is published by UK Finance.

Any final piece before we move to Q and A? And I think you're right on time, aren't we? Any final piece of advice to charities before they open a new bank account, before they start a new relationship with a bank, or even before they try and change what they've already got with their existing bank.

**Chris:**

Yeah, I mean nuggets, I'd say some of them have sort of mentioned already, but just to sort of summarize it, I think nuggets are think carefully about your application before we submit it to the bank. So in other words, check carefully the answers you've given to the

bank's questions to make sure they are answering the questions they are accurate. You haven't misunderstood the question, and so you put yourself in a very good light. Secondly, check if you are regulated by the Charity Commission or any other regulator. Check what your registration.

Because, as I said, banks do check those websites looking for information about the charities trying to account so please make sure that if you're only operating in two countries, you only take two countries on the charity Commission's website. The right countries don't just pick two at random. Tick randomly too. I know, I know probably from kudos point of view, it's nice to say charity operates in many different countries, but the problem with that you then change your risk profile through the bank size, so only tick the box as you generally operate in.

And also make sure that your governance information is up to date. You know, your annual accounts, your trusty information, your financial statements. What you're trying to do is present yourself in the best light to the bank so you make their life easy to onboard you, and you don't go through the rabbit hole being referred to a different person or a different section for approval because they've identified some red flags that will delay your application, and if it's really, really bad, it could ultimately make your application be basically rejected.

**Clare:**

Nobody wants that. I think I'd probably start a couple of steps back from that really. I think if I was working with a charity that was talking about its banking, I'd firstly say, assess what your needs are, what are you actually looking for from your bank? Do you need a current account? Do you need a deposit account to put your money to try and get a bit of interest? Are you looking for longer term savings?

What qualities do you need in your account? Do you need? Well, you should have dual authorization. How's that going to be managed? Do you need a number of withdrawals? What does the fee structure look like if that account has fees against your actual needs? So really, first think about what your needs are, and then shop around, see which product or which organisation might best be placed to meet your needs. And then, I guess, assess that regularly, review your needs every couple of years to see that you're still using products that meet those needs, with organisations, with banks that can help you.

**Chris:**

That's a good point. Clare, I mean, regularly assessing what you need is key as well, because onboarding isn't a one time exercise. So banks have got regulatory obligation to periodic refresh all customer accounts, and part of that refresh will be looking for up to date documents and also checking the profile of the customers.

So for example, when you approach a bank to onboard a you as a new charity, make sure you understand what you expect realistically to be your annual income and how much you expect to be leaving the charity in terms of expenses, because that's the bank has to start somewhere. Bank won't know you. You should know yourself better than the bank.

If you give the wrong numbers to the bank, start creating triggering alerts in terms of transactions, etc. That means your experience at the bank won't be as good, because you

end up seeing the bank come to you on a regular basis asking you why you're doing 10 times more than you told them you're doing. Where's this money coming from?

So really, in the ongoing relationship, then as well, it's not just do the housekeeping before you go out to look for a banking partner, look, think carefully about what you need from a banking partner. Review that relationship regularly, but also just main, put some, put some effort and resources into maintaining that relationship and into doing regular updates to the bank on what you're up to, what you're expecting, and anything that's changing.

So you've really got to manage that relationship. It's not something you can just it's not just fill in the forms, tick it off. We've got a bank account.

**Chris:**

No, it's not a one time exercise. I think the key word there that you mentioned is if there's any change in your circumstances. So I say that if you're suddenly, when you open the account, you told the bank you're only operating in the UK.

Suddenly the charity grows. You now decided to be adventurous and come overseas. That's a massive change for the bank. You need to tell the bank ahead of doing the change, not after you've done the change, because they'll have to reassess your risk rating.

**Clare:**

Another trigger point, like deciding to employ a first member of staff, or buying a property that might then come with added risks and so on. So all sorts, all the major life events that you would have as an individual, they're also major life events for your charity.

So, slight interruption there, but no worries.

Well, I think that kind of brings us to the end of what we were going to talk about, but it's, I hope we've got some questions.

That was really fascinating, though, and I hope people on screen, online, out there in the ether [enjoyed it].

I hope you've all found that really useful. It's a fascinating conversation to have. Do we have any questions there?

**Steph:**

Yep, there's been lots of comments and questions in our chat as well.

So thank you to everybody who's raised questions.

And it does appear from a comment, there is a vast difference in people's experiences of banks, and it very much looks to be, as we've suspected, depending on the size of charity that you are.

So if you're a very, very large charity, you'll have access to a relationship manager who can be that conduit between yourselves and bank, which is really helpful for any of those changes.

I think a lot of the frustrations come from the much smaller charities that perhaps don't have that relationship manager involved, that can then speak to the KYC team, and there's definitely comments around language and then the bank's understanding of charities.

And I know we've done a lot of work at UTB around our wording and the language that we use, and I think anything CFG could do with the other banks to encourage them to do the same, you know, would appear helpful.

And one of the comments that came up, and a question off the back of it is around the definition of operating in a country and how the banks perhaps, is different to what the Charity Commission is saying. So again, that's probably something for CFG to potentially take away with the charities commission, because when they're ticking the countries that question is around, where your income comes from, not necessarily operating.

So can we perhaps define operate? So does it mean making an individual payment to somebody within a country? Because, you know, one of the charities is a global health charity, and they do operate internationally. And then, or does it mean, you know, actually have any physical presence there? So what? What, I guess, what do we done to find this operate in Chris and then maybe Clare from CFG perspective? Could we pick that up with the charities commission around you know their definition of operating.

**Chris:**

From our perspective, if we see a charities tick tocks say they're operating in a high risk country, for example, we would define that as they have some relationship with that country. Now, that could be a number of different things.

So for example, it could be people on the ground in that country would be the obvious one, where they're distributing, you know, either good services, money, either who knows, or it could be that, I think, as you alluded to, that they're receiving significant donations from that country.

Now, either way, whether it's receiving significant donations from that country or physically being on the ground in that country, providing services, we need to know clearly from the charity exactly which one it is and how much they're involved.

So to give an example, somebody operating in a third country who's purely providing books. Yeah, that's a very different risk to somebody operating in the same country providing substantial amounts of money.

So again, it's just making sure the bank understands what the charities doing in those countries really help us and determine the correct risk rating. So last thing we want to do is rate a charity as high risk. Where actually they risk at all. What they're doing in the country is very low risk activity, such as providing books, not providing services, or financial, you know, money, they're just providing a number of books. So again, it's just, I think what you said earlier, basically, is it's having that effective communication between the charity and

the bank, so the bank are comfortable that they understand fully what the charity is doing in that country.

**Clare:**

Or could it be something as simple as if you're purchasing goods from a country, from a small cooperative in a country in a way to use your money in a way that adds to the general good in the world, but you have no real knowledge of anything about that cooperative other than on its website, it says it sells tea towels, and you've bought half a dozen tea towels.

**Chris:**

Exactly, yeah. And it might be for a minimal amount of money, but you've decided to tick the box, yeah. So it's the context, isn't it? Really, it's not so much the box ticking, but it's the story behind that box ticked.

**Clare:**

But I think that's certainly something I haven't really thought about it from that perspective before. So thank you very much. Whoever you know, all of you who've who've talked about that, what does operating over the season? It's certainly something we can take up with the Charity Commission and try and develop some sort of piece of work that sets it out more clearly. See what we can do on that one.

**Steph:**

Yeah, thank you. So we had a few questions around trustees. And I think it's fair to say, you know, we've Nicky and I have done charity banking for a very long time. There has been a change in terms of the banks wanting to know more details on the trustees and who they are. So I guess the first question is, why is there now a focus on trustees who need not necessarily have access to the bank accounts. You know, they're not actually doing anything day to day. And why is there a requirement now for banks to take what we class as core KYC, ie, name, address, date of birth.

**Chris:**

So kick off from that. So in terms of the money laundering regulations, the banks have an obligation to collect that information on all trustees, because we need to screen those names against things like pet lists, adverse media lists. Any regulatory enforcement has been taken against those individuals, what we're trying to do is identify the correct risk again, for that charity based on the results from the trustee screening.

In terms of you know, if we do come across a pet, for example, as a trustee, as I mentioned earlier, it means that we have to conduct a harsh due diligence against that particular trustee. We can't conduct standard due diligence because otherwise we fall foul of legal regulations.

Typically, though, what does happen is, once we've got the core information of the trustees and we've established what we perceive the risk rating of that charity to be, we use a risk based approach in terms of how far we go then on the due diligence on all of the trustees and the other information the charities provided.

So in other words, if we screen all the trustees, we consider the charity to be low risk, then we're going to be asking for less information, less documents, etc, compared to if we identify a high risk factor within those trustees, basically oblige us to complete the full acknowledged due diligence. So you know it does make a difference to us having that information.

**Clare:**

Because we know it's becoming harder for charities to recruit trustees. I would hate it if this was perceived as a barrier to people becoming a trustee, if they're saying, I don't necessarily want, you know, I'm happy to lend a hand. But as I want to go through all of this, this work, what steps do you take, really, as well, thinking about names that can be spelled in lots of different ways, or making sure you've got the right person. I'm not the only care levels in the in the world. You know, there's lots of different ways of spelling  
Clare.

**Chris:**

So bank systems are automated nowadays. It's not somebody sitting there manually going, Yeah, obviously. But there is what they call fuzzy logic built into bank systems where they will take, for example, Chris Foy, they'll take my date of birth, they'll take my address, and they'll search for those details, plus any slight misspells on the name.

And then they'll give the bank a list of names that meet that criteria. And then somebody in the bank has the job of going through that list of alerts have come out to make sure that they picked on the right Chris Foy. And what the Chris Foy who's involved in drug trafficking in a different country.

So so there is a lot that goes behind that, and that's why, coming back to the point I mentioned earlier, it's important that the charities provide accurate information. So if a person has got three names, they should provide the three names, not just one name or two names give the correct data, because, again, if you put one number wrong in on the data, it can have consequences. And the correct addresses are up to date addresses as well, not an address individually moved up 10 years ago. So yeah, if the charity gives us the correct information, you can screen the correct person.

**Clare:**

So you need what my what my partner calls your government name. What's on your passport, what's on your passport, license, and if you haven't got those, what's on your any other sort of public record, the name that, the name that you even mother would shout out when you were really in trouble, exactly, exactly. So yes, I think again, that's something we could do, perhaps writing a piece of guidance on for people, and it could be part of our checklist of what information do. What do banks do about that information?

**Steph:**

Yeah, absolutely perfect. So the next question is, if a charity receives a legacy from, say, Spain, would we as a bank consider the charity as operating in Spain?

**Chris:**

That's interesting one. So I think first and foremost, if, if they receive a donation from Spain, and they don't normally deal with Spain, first question I'd ask is, why is somebody in

Spain left with that donation? Because it's outside their profile. If the country is already operating in Spain and they receive a legacy from Spain. That's less of a concern because they've already got relationships in Spain, so it's probably a legitimate reason why they've received that donation. But to answer the question, in terms of operating again, as I said earlier, if the charities receiving one donation or regular donations from an overseas country, there is a, then a, what we call a nexus to that country that we need to understand why the person in Spain is sending money to a UK charity. Is it the legitimate reasons, or is this something that we should be concerned about?

**Clare:**

So always looking at the risk, I think both, and also thinking from the charity perspective, what is the story you tell around this? What is correct? Yeah, how much information have you got? Because you will know if, if you're having a legacy from Spain, you should get some warning before it hits your bank account, because somebody will ask you which bank account to put it in. At that point, you can contact your bank and go, we've just heard we're going to be receiving a legacy from Spain. So we're anticipating that money coming in, and we're doing our own due diligence to check that it's legitimate, and we're making you aware.

**Chris:**

Yeah, so again, I think it's all about the perception of the profile of the charity. So for example, if it's a domestic charity that operates in a small area of England, provides food bank, let's say, to local people who require that suddenly receiving large legacy from Spain, Germany or France, clearly is outside of their profile. So clearly, if that money just comes into the account with no explanation, that is potential red flag to understand, where's that money suddenly come in, and where's it going to.

**Clare:**

But then if you find out it's somebody that grew up in that area has a lot of family, they've got strong links to the area, but they happen to live abroad. They've died, their property overseas been sold, then you've got an explanation.

**Chris:**

It's having that context around the number that comes into the account. So if the charity took the trouble to contact the banker a day or two before that money was coming in, and said, Oh, by the way, some of those reasons you just said, has happened, and we're lucky enough to get a big donation that will be noted on the charities file that will delay the problems.

**Clare:**

You'll need to have that information as well, I guess, as charity for your trustees annual report, because suddenly you've got a massive donation that you're going to explain to in your reporting, so you're going to need the information anyway.

**Chris:**

Yeah, it's just communication, clear and timely is key on that.

**Steph:**

Okay, thank you. So I guess the next question is around trustees again, and it's if there's a change of Trustees, but it doesn't affect the bank mandate. Should they still be letting their bank know?

**Chris:**

Yes, any change of Trustees. Because, from a bank's point of view, because a charity doesn't have beneficial owners, we treat trustees as the controllers of the charity. So for us, we treat them in the same way we look at beneficial owners for corporate. So, yeah, any changes to the control structure of a charity which one of the ways they get control is through the trustees? We need to, we need to screen individual to make sure you still come.

**Steph:**

Thank you. And I'll do a final question. And then there's kind of a couple of questions for Clare, but this is probably for Clare as well as in a more general CFG.

So somebody said when they chase or complain about the service they've received around KYC reviews, they've often been told by the banks that they can't provide information due to money laundering regulations, and then they're not actually given any clarity.

How do you think people and charities should escalate that with their banks instead of just being fobbed off? And what do you think you know they should do? As I say earlier, I know CFG are doing a lot of work the banking sector around this, but do you have any advice on how they can escalate that and try and get some answers?

**Clare:**

This is really timely, because one of the pieces of work we've been doing following up the report we published in November last year about the issues people are finding that their banking in relation to charities, we've pulled together a simple toolkit on basic we started calling it how to complain to your bank, but we didn't want the bank people to feel put out.

So we've got how to get the relationship you know, how to get the service you deserve from your bank, and that should be coming out in the next couple of weeks, with some templates in it and some advice and a little bit of input from the Financial Ombudsman as well, and some stuff around the consumer duty.

If your income is less than a million pounds a year as a charity, then the consumer duty sets out for banks to communicate with you in a way that you will understand and that is suitable. And if you're not getting communication that it's making any sense to you and your income is under a million, that's a breach of the consumer duty. So can that's another angle for you to try with the bank.

**Steph:**

Yep, that's really helpful.

Thank you. And I guess one of the final comments, which somebody said, which I think is very, very pertinent, is, can see if can CFG, take the themes from this chat and discuss them with the banks. The level of difficulty and frustration amongst charity customers is very clear.

And, yeah, I mean, we see it, we discuss it every day. You know, we're talking to charities every day about just deposit accounts. Sadly, we don't do Transaction Banking. I'd love to be able to sit here and say we do so we could help lots of you, but, you know, we talk to them every day, and the frustration is very clear.

So anything CFG can do...

**Clare:**

Absolutely and one of the things we do is about three times a year we have a charitable sector banking forum where we invite people from any of the banks that operate with charities to come along we share some of the findings of the information that we're giving. We want to work really collaboratively with the banks. We want to be trusted partners that can help influence how the banks operate and how they behave and how they shape their services.

We've got a number of banks that we're working really closely with, one that we're about to deliver some major training to for their banking staff, which I think will be really helpful, but certainly we'll take the things from this chat to the next banking forum.

**Steph:**

Thank you. Yeah, yeah. That would be great. I think anything that you know you can do, and any of our friends that work for other banks will give them a nudge in the right direction as well, but I think that concludes our questions for today.

So thank you so much to Clare and Chris for answering the questions and you know, going through it. I do hope that everybody on the line found it helpful. Can't see can't see any video. So we don't know if you're all nodding, but hopefully you did.

But I do just have a final poll, if that's okay, just to see kind of how you're feeling now at the end of that hour or so that we've been talking. So we do hope that that has been helpful. I will launch the poll right now, if you don't mind just quickly voting for us as to you know how confident you feel now, having heard some of that, and then on the screen as well, there's some links to our contact details if you need any help with anything.

Niki and I are always happy to speak to you, even if you're not a client of ours, or, you know, have no intention of being a client of ours, then we're more than happy to speak to you and see if we can help with any of these issues that you might have.

Both of us have worked for the big banks, so we also know what it's like working from there.

**Clare:**

And then I know CFG, we're also open to help as well. And you can contact CFG through our website as well. So or if you email Niki or Steph, I'm sure they'll pass things on to me, and we can take things up as a team.

**Steph:**

Absolutely brilliant. Okay, well, 29% so around a third of people are saying that they're a lot more confident than they were at 11 o'clock. So that's fantastic. So yeah, thank you so much, and thank you everybody for joining now. I'm really pleased that lots of people have stayed on the call. Thank you ever so much, and glad you found it useful.

And we will send out an email with the recording as well.

We will send it out for you to share, you know, with your teams or anything like that, and it'll have our contact details on it too.

So thank you very much, everybody.