

Statutory inquiry report:
Victoria Housing Estates Limited – interim
report

3 December 2018



Interim report of a statutory inquiry, instituted by the Charity Commission for Northern Ireland under section 22 of the Charities Act (Northern Ireland) 2008, into the charity 'Victoria Housing Estates Limited'.

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Section 1: Introduction

The interim inquiry report

1.1 The Charity Commission for Northern Ireland (the Commission) categorises its investigations as self-regulatory, regulatory and statutory depending on the risk posed to the charity beneficiaries, the charity and the sector. These terms are indicative of potential outcomes whereby a charity may be encouraged to self-regulate, may be issued with regulatory guidance or where, due to the severity of risk assessed, there may be a requirement for the use of statutory powers assigned to the Commission by virtue of the Charities Act (Northern Ireland) 2008 (the Act). More information on the different types of investigation can be found in the *Concerns and decisions* sections of the Commission's website: www.charitycommissionni.org.uk

1.2 The Commission instituted a statutory inquiry into the charity Victoria Housing Estates Limited (the charity) in July 2012 following concerns raised with the Commission by Her Majesty's Revenue & Customs (HMRC).

1.3 The charity applied to the Charity Tribunal for a review of that decision on the basis (inter alia) that it considered it was not a charity. The Charity Tribunal determined on 10 May 2013 that Victoria Housing Estates Limited was a charity. Subsequent appeals were made to the High Court and the Charity Tribunal, however, in January 2016 Mr Derek Tughan (former charity trustee) withdrew his appeal.

1.4 While these appeals were ongoing, the Commission appointed PricewaterhouseCoopers LLP (PwC) as an interim manager of the charity and directed that they conduct a forensic examination and report to the Commission on, among other issues, whether the charity had misapplied any of its assets.

1.5 Under section 22(6)(a) of the Act, the Commission considers it appropriate to publish this interim report highlighting serious concerns and findings regarding the previous management of this charity. Despite the statutory inquiry remaining open, and ongoing legal proceedings seeking the recovery of misappropriated monies, the Commission deems

it appropriate to publish this interim report at this juncture to provide an update to the charity's beneficiaries and its funders.

The Commission reserves the right to issue a full report following the conclusion of the statutory inquiry and ongoing legal proceedings.

The charity

1.6 Victoria Housing Estates Limited (VHE) was established in the 1950s by Mr Frederick Tughan, father of Mr Derek Tughan (former charity trustee). It was set up as an Industrial and Provident Society and its objectives, as outlined in its rules, are:

- to carry on for the benefit of the community, the business of providing housing and any associated amenities for persons in necessitous circumstances upon terms appropriate to their means; and
- to provide for aged persons in need thereof housing and any associated amenities specially designed or adapted to meet the disabilities and requirements of such persons.

1.7 VHE manages over 420 properties which it lets to tenants, in a number of areas, including:

- Worcester Avenue and Crawfordsburn Road, Bangor
- Riverdale, Andersonstown
- Holywood Road, Belfast
- Clonaver Drive, Belfast
- Cherryhill, Dundonald
- Harmin Estate and Farmley Park, Glengormley
- Finaghy Road North, Belfast

1.8 In addition, VHE collects ground rent for approximately 600 properties and parcels of land. On confirming, through the Charity Tribunal, that VHE is a charity, these assets have been confirmed as belonging to the charity.

1.9 On opening of the statutory inquiry, the charity trustees of VHE were:

- Mr Derek Tughan
- Mr Ronald Woods
- Ms Jill Robinson

Section 2: Executive Summary

2.1 The Interim Manager (PwC) was appointed following concerns brought to the Commission regarding the accounts and management of VHE. The Commission asked the Interim Manager to provide a report on a number of issues, including whether the charity's assets had been misapplied.

2.2 In December 2015, the Interim Manager provided a report to the Commission that found the following:

- Over £13,000,000 of the charity's assets was advanced, as amounts recorded as loans, to various companies of which Mr Derek Tughan had an interest. In excess of £12,000,000 of these loans has not been returned to the charity.
- Recorded loans in excess of £100,000 were also made to a relative of Mr Tughan and to an employee of an unrelated private business of Mr Tughan's, for which no repayments have been received by VHE.
- For a number of years, two of Mr Tughan's relatives received monthly salary payments from VHE, totalling over £3,000 gross per month, but there was no known service evidenced as provided for these salaries.
- £750,000 was paid to HMRC, by VHE, which was later confirmed to be in respect of the tax liabilities of Mr Tughan's family.
- An employee was paid a monthly salary, by the charity VHE, to chauffeur Mr Tughan and work on another of his businesses.
- London properties were used exclusively by Mr Tughan and his family, with all costs paid by VHE, yet there was no evidence how these properties furthered the charity's purposes in any way.
- Poor governance of the affairs of the charity, including a failure to keep minutes of meetings or to document decisions taken.
- Poor financial management and inadequate financial statements, including a failure to properly disclose conflicts of interest.

2.3 On receipt of this report, the Commission took immediate action by:

- removing Mr Tughan as a charity trustee (meaning that he cannot act as a charity trustee in any charity in Northern Ireland while he is disqualified).
- giving notice of our intention to remove the other charity trustees, both of whom subsequently resigned from the charity.

- appointing Mr Roger Courtney as charity trustee and giving him the power to appoint others.
- taking action, through the courts, to commence the recovery of monies misappropriated from the charity. This action is ongoing.

2.4 Impact on the charity and its beneficiaries

The Commission acknowledges that the charity has suffered significant losses. The charity's new board, under the chairmanship of Mr Courtney, has identified further significant failings in the previous management of the charity. In particular, the former charity trustees failed to properly maintain the charity's property.

As a consequence the charity has identified that over £21,000,000 is required to bring its properties to an acceptable standard. This is an unacceptable situation for both the charity and its beneficiaries.

The charity has also been presented with a significant HMRC bill (approximately £2,800,000) as a result of the former charity trustees failing to use the charity's assets solely for charitable purposes. Combined with the amount of money still outstanding to the charity, this has left the charity in a vulnerable financial position.

VHE's new board has joined the Commission in the legal pursuit of recovery of misappropriated charity funds from Mr Tughan, Mr Woods and Ms Robinson. While this legal action is ongoing no further detail can be released through this interim report.

Section 3: Conclusion

3.1 The Commission's statutory inquiry into VHE has been complicated and lengthy due to the court processes and the complexity and volume of the misappropriation of the charity's assets. Our action, and that of the Interim Manager and the charity's new trustees, has ensured that the charity's remaining assets are used to fulfil its charitable purposes.

Issues for other charities

3.2 The Commission has published guidance entitled [Running your charity](#), which provides support for trustees on key aspects of running a charity effectively. It is available in the *Charity essentials* section of www.charitycommissionni.org.uk. Sections 3 and 5 of the guidance have particular relevance here in relation to the requirements for charity trustees:

- to know their roles and responsibilities
- to manage conflicts of interest
- to maintain and retain proper financial records.

Issues for funders, stakeholders and the general public

3.3 One of the Commission's objectives is to increase public trust and confidence in charities. The Commission would stress that conduct as described in this report is not representative of the charity sector in Northern Ireland in general. The public can be reassured that the Commission will take all necessary steps to address identified mismanagement or misconduct in charities.

3.4 The Commission's guidance on raising concerns about charities may be found at the following link:

www.charitycommissionni.org.uk/concerns-and-decisions/concerns-about-charities-guidance/

3.5 On conclusion of all legal matters related to this inquiry, it is anticipated that a more detailed final report will be produced.

3.6 Named Parties

All those named in this report have had an opportunity to comment on its factual accuracy. The only comment received disputing the accuracy of the report was from Mr Woods.

Mr Woods responded to say that he did not accept the contents of this report and to confirm that the litigation to recover alleged misappropriation is being defended.

Further information on our activities is available from:

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