

Statutory inquiry report: Victoria Housing Estates Limited (including Bangor Provident Trust Limited)

18 August 2022



Final 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' (including Bangor Provident Trust Limited).

Note: The interim statutory inquiry report was first issued on 3 December 2018. It was updated on 10 March 2020 to reflect the High Court judgment of May 2019 upheld by the Court of Appeal judgment of February 2020 (McKee and Ors –v- CCNI [2020] NICA), and finalised on 18 August 2022 to reflect the outcome of the statutory inquiry.

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Section 1: Introduction

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 manager¹ of the charity and directed² that they conduct a forensic examination and report to the Commission on, among other issues, whether the charity had misapplied any of its assets.

The charity

1.5 Victoria Housing Estates Limited (VHE) was established in the 1950s by Mr Frederick Tughan, father of Mr Derek Tughan (former charity

¹ This decision was made by staff. The Court of Appeal has ruled that staff have no power to make statutory decisions acting alone. Commissioners appointed PwC as interim manager on 10 July 2019.

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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.

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

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

1.7 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.

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

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

1.9 In July 2012, a statutory inquiry was also commenced in respect of the related charity Bangor Provident Trust (BPT), which shared the same management committee as VHE. Issues were identified relating to poor governance of the affairs of BPT; misapplication of assets for non-charitable purposes not in the interests of BPT; a lack of management of conflicts of interest of committee members; inadequacy of financial statements and potential financial mismanagement. Regulatory action was taken including the appointment of PwC as Interim Manager and BPT

was also a party in the High Court proceedings pursuing restitution of the misapplied charitable funds.

Section 2: Executive summary

2.1 The Interim Manager (PwC) was appointed³ 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:

³ This decision was made by staff. The Court of Appeal has ruled that staff have no power to make statutory decisions acting alone. Commissioners appointed PwC as interim manager on 10 July 2019.

- removing Mr Tughan⁴ 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 Courtney⁵ 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.

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

The charity was also 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.⁶

VHE's new board joined the Commission in the legal pursuit of recovery of misappropriated charity funds from Mr Tughan, Mr Woods and Ms Robinson.

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.

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⁶ The HMRC bill was subsequently discharged by Victoria Housing Estates.

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 Following the conclusion of all legal matters related to this inquiry, the Commission considers it appropriate to publish this final report, under section 22(6)(a) of the Act, highlighting the serious concerns and findings regarding the previous management of this charity.

Section 4: Update on outcome of statutory inquiry

4.1 A resolution has been reached by way of settlement between the Charity Commission for Northern Ireland, Victoria Housing Estates and its former charity trustees.⁷ This concludes all litigation, including the

⁷ The settlement also applies to the proceedings relating to the related charity Bangor Provident Trust.

disposal of the restitution proceedings and related High Court and Charity Tribunal proceedings.

The Commission commends the significant work of the Interim Manager and Board of Trustees, appointed following the opening of its inquiry. This is, in particular, for their endeavours in addressing the charity's previous governance failings and in determining that it was not feasible or viable to make the required improvements to the charity's housing stock but instead securing the transfer of its properties to social housing provider, Choice Housing.

The reaching of a settlement brings a long awaited resolution to the tenants of the charity's properties, who have been impacted by the lack of investment and previous poor financial management of the charity. The tenants, who have remained a priority for the Commission throughout, will now have an assurance as to the future of their homes as well as benefitting from a £28 million investment programme from Choice Housing.

Under the investment plan, tenants have had the option to move from VHE to Choice under a long term and secure social tenancy agreement. In this option, the Housing Association took ownership of the properties with each home receiving significant and much needed renovations and refurbishments. Alternatively, those who did not wish to move over were offered the opportunity to purchase their own home through an application process.

In reaching a settlement, the previous charity board can no longer seek to challenge the legality of this transfer and subsequent investment. The terms of settlement will also see an end to the Commission's pursuit for restitution from the defendants in the High Court, being satisfied that the repayment sought is beyond the defendants' current means.

This has been an extremely complex and prolonged case, with the Commission having first opened its inquiry in 2012. Having recovered hundreds of properties belonging to the charity which were utilised for the private benefit of the previous trustee and related parties, protected the charity's funds and assets against the risk evident within the charity and ensured a proper application of them for similar charitable purposes, the Commission has formally closed its statutory inquiry."⁸

⁸ The statutory inquiry into BPT has also been formally closed.

4.2 Named parties

All those named in this final report have had an opportunity to comment on its factual accuracy and Mr Tughan responded to say that he “made no admissions in the context of the settlement between the parties and does not agree or accept the findings of CCNI in the Interim Report or that there was poor governance or financial management of BPT and VHE.”

Further information on our activities is available from:

Charity Commission for Northern Ireland
Marlborough House
Central Way
Craigavon
BT64 1AD

www.charitycommissionni.org.uk

Email: admin@charitycommissionni.org.uk

Tel: 028 3832 0220

Fax: 028 3832 5943

Textphone: 028 3834 7639



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