Making the most of digital donations:

A practical guide to selecting and using online giving platforms

October 2014

Supported by Crowe Clark Whitehill

About this guide

This guide had been produced by Charity Finance Group and the Institute of Fundraising, and kindly sponsored by and produced in collaboration, with Crowe Clark Whitehill.

It is intended to support a strategic approach to the selection of providers but does not recommend specific suppliers. It considers the questions that charities may wish to ask, but does not provide all the answers.

Reader feedback is welcome. Please email comments and questions to policy@cfg.org.uk.

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Section 1
Introduction

Online giving platforms have been in existence for over a decade and there is now a large number of operators offering a range of services. As charity supporters have become increasingly familiar with digital financial transactions, taking donations online has become essential. However, when it comes to choosing an online giving provider, charities may need support. Not every solution will be right for every organisation, and it's important that charities are equipped to assess the risks and governance arrangements before they set up an account to receive donations.

This guide explains what charities should consider when choosing between providers. It includes information on what online giving platforms are, how they work, and how to assess which one might be right for a charity's needs. It aims to help charities understand and manage the potential risks when taking payments online and includes a range of best practice tips and case studies.

The case studies provided give practical examples of how to implement and utilise a variety of platforms, and highlight common questions to ask during the selection process.

While this guide is intended to be used when considering online giving, many of the considerations are relevant even where a charity uses fulfilment houses and other organisations to collect money on its behalf. It is also relevant to recognise that some donors may use traditional forms such as a cheque payment to support a fundraising initiative that was intended to be online.

Who will benefit from this guide?

- **All charities that fundraise** from individuals.
- **Fundraisers** seeking ways to reach out to new supporters, or to connect with existing and potential supporters who prefer to give through online channels.
- **People responsible for finance** in charities in helping them understand the financial implications of online giving platforms, how income is processed, the different charges that are levied from platform providers and how the process is controlled and secured.

The selection process

There are six core steps between identifying a need for an online giving platform and implementing its use within an organisation. This guide explains each of these steps and the different aspects to consider.

1. Identify needs and requirements
2. Research potential options and providers
3. Match against requirements
4. Undertake due diligence
5. Budget and plan for implementation, management and launch
6. Set-up agreements with providers and internal processes

Section 2
What are online giving platforms and how do they work?

Over recent years, giving to charity online has become well-established with dozens of internet fundraising platform sites to choose from. Online platforms enable many types of donors, regardless of their donation size, to quickly and conveniently give to charitable causes; using their computers, smartphones and other electronic devices, and their credit cards, debit cards or digital wallets (devices that allow an individual to make electronic transactions, such as PayPal).

Some online platforms work in the background of individual charities' websites whereas others, such as JustGiving (the largest online platform), Virgin Money Giving and BT MyDonate present a hosting "brand". This latter method enables donors and anyone accessing their website to find their favourite charity or search for many different charities in one place, and choose between them in making their donation.

Online platform solutions can be operated by commercial companies, not-for-profit organisations or by charities themselves.

To some extent the entity behind the platform will have a bearing on what proportion of the donated money is transferred to the charity. For example, some sites will charge a one-off set-up fee or a monthly maintenance charge to cover their various costs and profit margin, whereas others will be funded by taking a proportion of each donation given. In addition, some sites may charge a fixed amount or a percentage for transactions such as credit card processing fees.

Besides accepting donations, many online platforms provide an easy way for charities to present a fundraising case in a low-cost way to potential donors and in some cases they also allow donors to set up their own mini-fundraising campaigns for particular causes. Such sites have become popular with people seeking to fundraise for personal challenges such as running the London marathon, sky diving, or climbing Kilimanjaro, to name but a few.

Alternatives to using third party online platforms

Online platforms run by third parties are used by a large number of charities to collect donations but there are alternative options. For example, charities could enable their own website and/or use technology to develop the capability to receive donations via SMS text messaging.

There are separate cost implications if a charity wishes to receive payments through its website via a merchant bank facility and typically only larger charities will have the resources to do this. Although there are aspects of this option that make it more favourable than using a third party site, it can often be cost and staff-time intensive, so needs careful consideration.

Attracting donations via SMS text messaging has become increasingly popular in recent years. It has proven an effective fundraising channel due to its convenience and ease of use for donors who want to give small amounts as there is typically a cap of £10. Fundraisers can create a unique code for the SMS text message, while a short phone number makes it possible to donate quickly. The donation is then added to the donor's phone bill or debited from available funds on a pay-as-you-go mobile phone.

These options are beyond the scope of this guide, but could be considered as part of an overall fundraising strategy.

Jargon Busting

Admin fees Some online giving platform providers charge charities an administration or a transaction fee for processing each donation. These typically range from zero to £2 per donation and can make a significant difference to the overall amount a charity receives, especially if the total comes from lots of small donations which are all subject to a fee. The relatively low cost of setting up a fundraising initiative via an online platform and any associated administrative costs needs to be weighed up against the costs associated with other forms of fundraising, such as direct mail or media advertising. Consideration also needs to be given to the balance of administration fees per donation and any set-up or fixed fees for using the platform such as monthly subscriptions.

Agent The organisation who acts for, or in place of, the charity with authority from the charity. There are special rules required by law when a charity works with professional fundraisers or commercial organisations.

Card charges Some sites may charge fees for using a particular credit or debit card, which will affect the donated amount. Credit card companies (e.g. Visa, Mastercard) always charge a merchant fee, usually at about 3%. Not all sites pass these fees on to the charity.

Commission Some platforms will charge a service fee based on a percentage of the amount raised, typically between 2% and 5%.

Gift Aid Gift Aid increases the value of donations to charities by allowing them to reclaim basic rate tax on the gift, as long as the supporter is someone who pays UK tax. Charities take the donation and reclaim the basic rate tax from HMRC on its "gross" equivalent – the amount before basic rate tax was deducted. Basic rate tax is 20 per cent, meaning a donation of £10 is worth £12.50 to the charity.

HMRC Her Majesty's Revenue and Customs (HMRC) is the UK's tax authority. It is an impartial tax and payments authority that collects the money that pays for the UK's public services. It also helps charities pay the right tax and claim the reliefs they are entitled to, such as Gift Aid.

Online giving platform A way to give money to charities online. Such systems are often delivered via a website, operated by a host organisation (although they can operate "in the background" behind a charity's own website). In both cases the basic principle is that a donor gives to their chosen charity by providing credit or debit card details or digital wallet, which are then cleared by the giving platform host after deducting the host administration and other fees. These are then transferred to the charity, together with data related to the donor.

Registered charity number If a charity has registered with the Charity Commission, it will have a number. Many platforms will require this information as part of its registration procedure.

Set-up fee To establish an account, some online platforms will charge a one-off payment before it allows the charity get started.

Subscription A recurring fee paid throughout the charity's membership to some online platforms.

VAT There is the potential of a Value Added Tax charge, which the site provider must pay and will take from donations. However, it does not apply where the site itself is a registered charity and therefore its charges will be VAT exempt.

How is the money transferred to the charity?

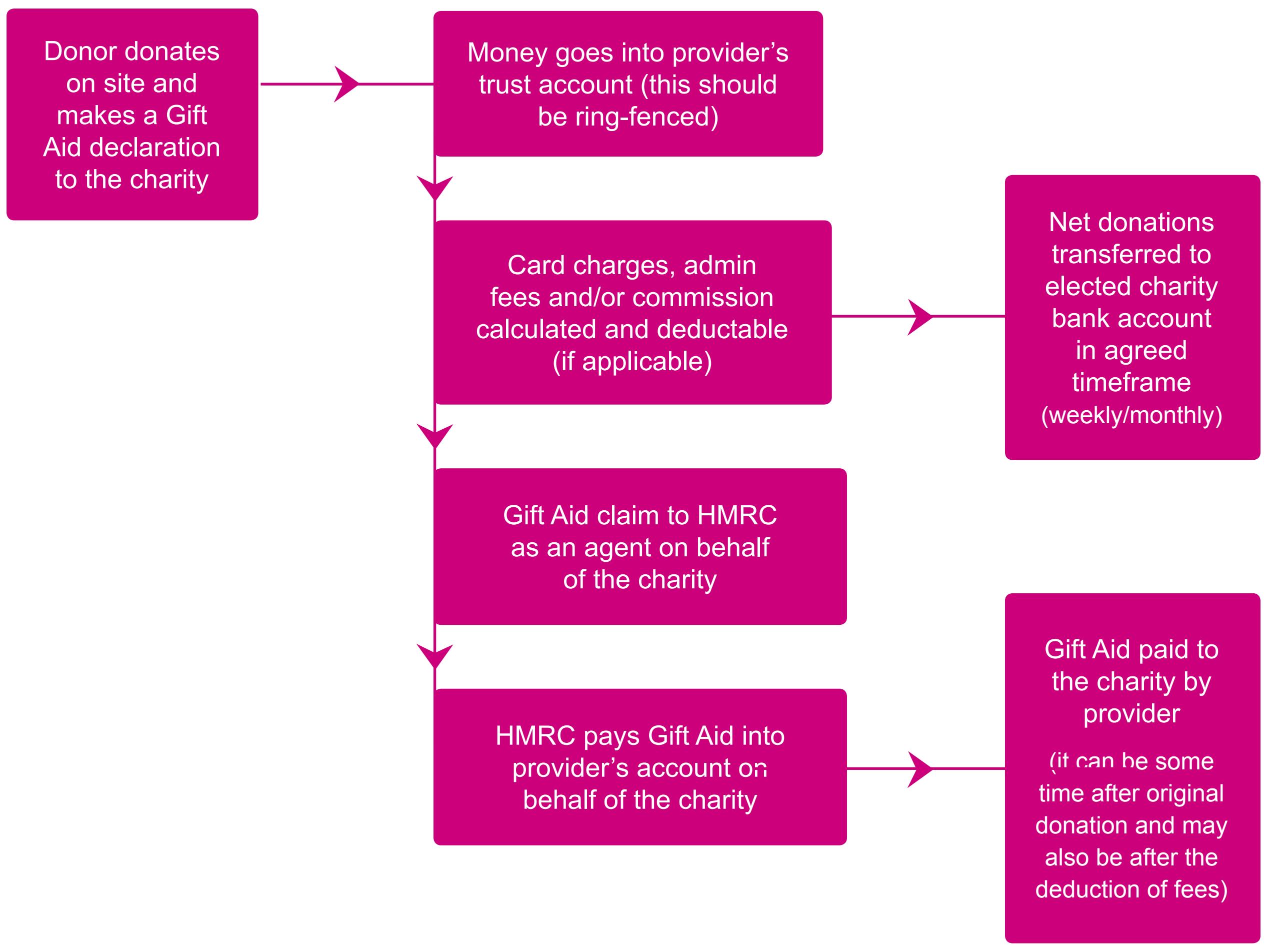
This process will depend on whether the platform is a charity or a private company. They typically work by collecting donors' money and placing it in a secure bank account (this may or may not be a separate designated trust account but the funds should be clearly identifiable nonetheless). The donation is then transferred minus the relevant charges to the charity.

Dependent on how the platform is able to claim Gift Aid, the amount remitted to the charity is either with the tax reclaimed or it is sent separately at a later date. If the platform is a charity itself, it will be able to claim Gift Aid directly, whereas if it is a private company it will need to be nominated as the agent to do so. This may have implications for the type of donor data provided and the date by which the donation and Gift Aid is received.

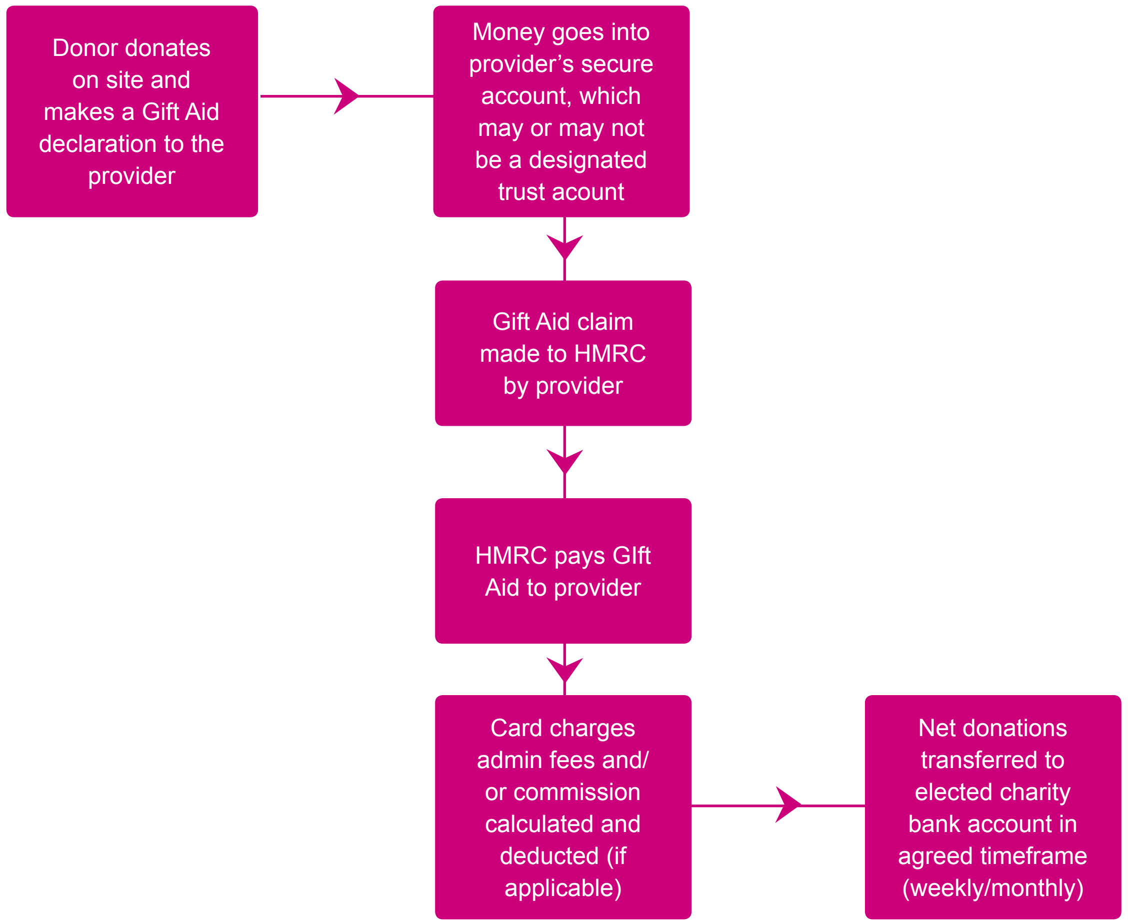
As part of the due diligence process, it is worth checking the donation handler does actually use a trust account or other mechanism to ensure the security of payments. This will be outlined in more detail in Section 5.

Below are two examples of models of how some platforms operate. This can differ in relation to card charges, commission, Gift Aid processes, and whether or not the platform has a trust account, and so are given as an illustration. The model for each provider that is shortlisted during the selection process should be understood.

Example model 1: online giving platform provider is a private company



Example model 2: online giving platform provider is a charity



Note: some providers pass money to the charity before the Gift Aid has been claimed, others wait until it has been received. This means that timescales for this process and the charity receiving funds can vary greatly.

Advice

- Talk to other charity networks and advisory groups to hear about their experiences with different providers;
- Gather external intelligence by looking at great examples of how other charities are dealing with the digital age;
- Talk to existing donors and volunteers about how they would use an online giving platform to donate to charity;
- Consult with other fundraisers who can offer their own experiences of using online giving sites and might be able to offer practical tips.

Categories of online giving platforms

It is useful to find an initial list of online giving platforms to consider by searching for those specialising in the following categories, depending on an organisation's needs:

- Raffles/Gaming;
- Event fundraising;
- Challenge events;
- In memoriam/In memory giving;
- Global/International payments;
- Corporate donations;
- Large team events;
- Local/Community events;
- Crowdfunding.

Working with other functions within the organisation

It can be easy to overlook the considerations of other departments in an organisation when setting up an online payments platform.

From the outset, charities should consider setting up a cross-organisational project team. Here is an outline of the key functions within an organisation that should be consulted and the considerations that need to be made:

- IT: is the organisation's software and functionality compatible with the site, and will it be able to receive the reports and data in the prescribed format?
- Fundraising and marketing: how can existing media be integrated into the campaign?
- Finance: will the payments received be recorded appropriately against income and expenditure, storing Gift Aid information correctly for audit purposes?
- Legal: are there legal issues such as data protection compliance that should be considered?

Section 3

How to assess the right choice of a third party platform

The increasing popularity of online fundraising means that there is now a wide variety of different platforms to choose from. It is important for charities consider what their specific needs are and how these can be best met. Below is a checklist of questions that should be asked when considering which platform to choose.

The organisation

Questions	Considerations
Is the charity registered with the Charity Commission for England and Wales or the Office of the Scottish Charity Regulator (OSCR)?	A significant number of sites will require a registered charity number during the signing up process. There are a handful of sites that do not require these, which are usually used by smaller community groups. If an organisation is registered with HMRC for tax purposes, most sites will accept this even if it is not registered with the Charity Commission or OSCR. Some charities are exempt from registering with the Charity Commission, but are still recognised as charities so it is worth checking what is needed in lieu of a charity number. It is important to know that if an organisation is not a charity, this may limit its choice of providers. It is useful to understand the eligibility for the different platforms before too much research into their functionality is completed.
Is the organisation registered to claim Gift Aid?	Certain platforms collect Gift Aid from HMRC on charities' behalf or by using an intermediary, while others do not. It can be a time saving tool if the platform does this on an organisation's behalf. It is worth bearing in mind that if the charity wants to collect Gift Aid itself, it will need to have captured the relevant donor data from the site collecting the donations. It is also important to know that with some sites, if the charity is not registered for Gift Aid, it may affect its eligibility to use the online giving platform.
Are mechanisms in place to receive money, such as direct from a bank account or digital wallet (such as Paypal)?	The charity will need a current account, or other mechanism such as a digital wallet, to receive money from the site. Some platforms may not be able to pay money into separate accounts for different activities, so the organisation will have to consider how this fits into its internal processes.

Question	Considerations
What is the budget and plan?	Fees vary between platforms, with some having higher set-up and/or monthly fees, while others have higher administration charges per donation. Generally speaking, the larger sites will charge higher monthly fees. This will need to be weighed up against the income expectations of the campaign and what additional functionality might be available for the money. If paying monthly fees, it's important to make sure the charity budgets appropriately for this. Start-up fees and commission on donations will usually apply so balance all the costs against the expected income. Some campaigns may raise a lot more income than expected and it may be helpful to set a sliding scale of fees or an overall fee cap.
Is a database in place?	Charities should think about how the donor information they receive from the platform will link to their internal systems, in particular what data fields are essential and which may need development of the supporter database. Considerations include whether the site is compatible with the database and/or whether the data is received from the site in a format that is easy to import.
Is the platform required to store information over a long period of time?	This might be appropriate if there is no database already in place in-house. Ensuring a robust Data Protection Act compliant agreement is in place with the provider is key to offering reassurance that this data is treated correctly.
What technology is already in place within the organisation, such as up-to-date browsers, downloading software, etc.?	It is important to check IT capabilities and compatibility with the platforms selected before signing up. How the platforms can be viewed on a variety of mediums including mobile phone, tablet and laptop should also be taken into account.
How much resource is available to manage the online platform?	Online platforms vary from requiring minimal maintenance to daily monitoring. Small organisations with limited capacity will need to be realistic about how much time can be devoted to maintaining the pages, particularly if they rely primarily on volunteers.

Why raise money online?

Questions	Considerations
Is this a one-off or an ongoing campaign?	Sites will have varying functionality to suit short and intensive campaigns or those that are longer term. The nature of the campaign will affect the considerations for the fee structures and costs and what the reporting and data requirements might be.
Will regular gifts such as automated monthly payments be accepted?	If regular gifts will be accepted it may be worth thinking about choosing a system that is compatible with other mechanisms, such as creation of direct debits or the automatic processing of regular credit card deductions. A charity may also want to check if the system allows supporters to access an account easily and if it will provide accurate data.
Will there be team activities?	Some sites have a team pages functionality to enable groups to fundraise on behalf of a charity, with details of each individual fundraiser and their targets.
What is the scale/volume of donations expected?	If a charity is expecting larger volumes of donations it may want to consider using a site that will transfer payments to its bank account on a more regular basis. This may also have a bearing on the choice of platforms when considering fee structures. For example, if expecting a low volume of donations a charity may want to choose a platform which has a low or no set-up and subscription fee.

Questions	Considerations
What is the marketing plan, and how are people expected to get to the site?	Some platforms act as a hosting “brand” to donors and enable individuals accessing the website to find their favourite charity or many different charities in one place and choose between them in making their donation. If the aim is to promote the website by sending people the web address to the site, charities may want to consider if the platform is able to create a memorable address or short link for donors. Social media is integrated into some platforms, and most have developed buttons which can be easily placed on a charity’s own website. It is important to consider how people will be directed to the site and how these social media tools work with an existing online presence.
Is there a specific target to reach?	If there is a target to reach a crowdfunding site may be an option to think about. Please see more detail on this on page 17.
How would donors use the site?	Many prospective donors will be smartphone users, and as such sites should be responsive, or have compatibility with both iOS and Android. Some donors may have their own preferences for specific sites and consequently expect charities to also use them. Charities should consider whether this may impact on take-up, should they select to use a different one. A memorable or short address for donors could be beneficial, particularly if the fundraising campaign includes post or advertising activities.

What functionality is important?

Questions	Considerations
What functionality is required?	Some functions to consider include: • *Feedback to donors*: Does the site sends thank you emails/ letters to donors where can content can be tailored? • *Usability*: How easy is it to navigate and is it something potential donors will be comfortable and confident using? • *Donor care*: Is it possible to tailor the communications and information people receive. Plus, is it easy for donors to contact the charity directly? • *Donor development:* Do charities receive the information/data needed to follow up with donors? • *Query care/resolutions*: Both queries from donors and potential dispute resolution from the charity. Is there a number to call? What are the service level agreements? How are refunds handled?
Will donations be received from abroad?	If donations are to be received from abroad, then the payments system will need to be able to accept different currencies and foreign credit/debit cards. There are some sites that allow donors to donate in foreign currency directly. Remember that Gift Aid can only by be claimed if the donor is an eligible UK taxpayer.
What is the "donation journey"?	It is important to consider a charity's presence on the site and how easily accessible its campaign is for donors. Many of the bigger sites have a large number of charities listed whereas smaller sites may mean individual organisations are easier to find. Some can provide a short link so donors can be directed straight to a page. It is also worth looking at the ease of making a donation on the site, in terms of the speed and usability of the process from a consumer point of view.

How will the fundraising activity be managed?

Questions	Considerations
How important is it to communicate with donors?	If communication is important, then a site must provide the capability to access a donor's details. Also, it is crucial to ensure that the site collects donor consent to receive communications.
What data is required?	Charities will need to be clear about what they will need in terms of donor data and how/when this will be provided. Some of the larger sites have functionality that allows data reports to be customised. It is important to check how quickly these reports are required as some have a longer turnaround time than others. Also, check whether the data supplied is in a format that can be easily used.
How will payments be monitored and received?	How the finance team factors in the receipt and reconciliation of payments into existing internal processes will need to be considered.
How quickly does the organisation need to receive the donations?	Some sites send payments weekly, while others may require a longer turn around such as monthly, or even at the end of the charity campaign. Charities should consider their longer-term financial planning and budgets when considering the timeframes of receiving payments.
How often will pages need to be updated or content amended?	The administrative function of the platform is important as this will determine how much resource is required to update and manage the page regularly. If there are multiple staff accessing the pages, charities will need to find out how easily they can log in and what permission levels different people within the organisation might need.
Will donations come from individuals or corporates?	If a large number of donations from companies or employees are likely, then matched funding could be considered as a means of fundraising. A few sites offer ways to manage this more easily through the reporting functionality, so if a number of corporate donors are expected this is worth bearing in mind.
Is donor anonymity functionality needed?	More advanced sites offer an option for donors to remain anonymous, both to the public and also the charity. This might be useful if a fundraising campaign is dealing with a sensitive issue.

Due diligence/conflicts of interest

Questions	Considerations
What is known about the online platform provider?	Questions to consider during the research process include: What is their reputation like? Do they come with recommendations from other charities in your area or sector? How long have they been trading? Are they backed by a larger commercial organisation or are they a smaller company with limited back up finances should something go wrong? What controls are in place for looking after the money? For more on this see page 18.
Is a risk management process in place?	There have been cases where organisations raising and/or holding funds for charities have defaulted on their obligations. A comprehensive risk management strategy should be in place to ensure charities mitigate against risks of fraud or error.
What are the internal processes for receiving the money?	Charities will need to consider the way that their income is reported and how the finance team will record it and communicate with them prior to registering on a site.
Are there ethical considerations to take into account?	Charities should review their ethical policies to ensure there are no conflicts of interest between them and the provider.
Does the website carry advertising?	If the website carried third party advertising, what controls are in place to check that adverts that might appear on a charity's page are appropriate to its audience, and is the charity is comfortable with being associated with these companies and products?

Section 4

Processes and considerations when using online platforms

Gift Aid

Gift Aid is a way for charities to increase the value of monetary gifts from UK taxpayers by claiming back the basic-rate tax paid by the donor on the donation they have given.

Charities need to be eligible to claim Gift Aid, and more detailed information on this and how to register can be found on the HMRC website.

Online fundraising platforms can be a great way to maximise Gift Aid as it is relatively straightforward to encourage eligible donors to agree to allow their donations to be "gift aided", normally via the tick of a box and the click of a button.

Most platforms will collect Gift Aid on behalf of charities, but organisations should be aware that if the site does not do this, they will need to collect the relevant data themselves, where the donor provides the information. Gift Aid claimed on a charity's behalf may be paid separately from donations payments at a later date.

HMRC adopts a repay now and check later basis. This means that even if a charity has received the tax reclaimed HMRC can claw this back with interest and penalties if the rules for eligibility, declarations, documents, etc are not followed. Care should be taken to ensure that the contractual arrangements with the provider should offer full restitution if the claw back from HMRC is as a result of error or negligence of the provider. Claw backs can be made for large amounts and for years after the funds are received, and it is important to ensure all claims are properly managed.

Charities should properly understand and ensure the agreements clearly specify the responsibilities, obligations and liabilities.

It is also important to be aware of the Gift Aid eligibility rules for donations. Gift Aid cannot be claimed on the whole donation made by the person or a connected party taking part in a fundraising event (e.g. a sky jump). It also cannot be claimed if the donation is a collection (e.g. money collected from a bake sale), and is therefore not the individual's money or the donation relates to a purchase. For more on these rules see: www.hmrc.gov.uk/charities/gift_aid/benefits.htm.

There are three common mechanisms for claiming Gift Aid using an online giving platform and it is important to understand which model is being used by the provider:

Model 1: Provider is nominated by the charity as its agent to claim the Gift Aid on its behalf

When a charity registers with the provider it will also need to authorise them as its agent. This is an additional HMRC form that will be supplied by the provider. Completion of the form allows the provider to submit Gift Aid claims and have the money paid into their bank account. It is important that donations received through this model are excluded from normal Gift Aid claims as the Gift Aid has already been claimed.

Model 2: Payment provider claims the Gift Aid themselves

The provider is a charity and the declaration is made and claimed in the name of the provider who reclaims the Gift Aid.

It is important that donations received through this model are excluded from normal Gift Aid claims as the Gift Aid has already been claimed.

Model 3: Provider only records the declarations

In this case there is a declaration on the donation page and the provider does not claim Gift Aid themselves but passes the details of the donation and the declaration to the charity in order for the charity to claim it. In these instances, the charity will need to ensure that it has sufficient audit trails to prove the payment is in its bank account.

Using the different models
If Models 1 or 3 are used then it is the responsibility of the charity to check the declaration wording and Gift Aid eligibility to ensure that it complies with HMRC's requirements, to avoid liability. See the HMRC guidance for the correct wording. Charities must also ensure there are adequate records and audit trails in place to support the declarations and claims being made and that they still have access to these for up to six years after the claim has been made.

If Model 2 is used then please note that even though donors may have made their donations under Gift Aid, as the claim is made by a provider and not in the charity's name, these claims cannot be used in support of a claim under the Gift Aid Small Donations Scheme (GASDS), either as evidence of successful claims or amounts used for the matching donations requirements. Donations through any online platform are not currently eligible for the scheme.

However, if there is cash income from collections that a charity wishes to make a claim on but it does not have enough other donations with declarations to match the claim (other than the online donations), how a provider makes the claim may be a consideration. For more on GASDS, visit www.hmrc.gov.uk/charities/gasds.

Data

Donors are usually given the option to opt-in to receiving communications from the receiving charity. This wish, along with their details, can be transferred via the reporting functionality of each platform.

If the platform is collecting Gift Aid on behalf of the charity, donor details will usually be passed on. However, whether this data can be used to contact them in the future will depend on whether they have specifically opted-in/out of communications. Sites have improved in the last few years to ensure data is smoothly transferred but charities should be clear about what they need before signing up. Some sites also offer more bespoke reporting, for example, listing the top fundraisers, and enabling charities to customise information they need. It is important to think about how and when donor data needs to be received. For example, the format of data reports, how this will integrate with existing systems and how quickly the charity needs to receive it. Reports are usually sent in Excel, CSV or PDF and can be downloaded on demand, scheduled or have a 24-hour delay. It is worth looking at what data formats the existing system can take to ensure it is compatible.

Fees

Many of the bigger sites charge monthly fees as well as charges per donation, VAT and card processing charges so do be careful to look at the small print before signing up. This type of payment structure will be more suitable if the site is to be used for multiple campaigns and on a longer term basis, as well as if a larger budget is available.

Some sites will take commission on a donation-by-donation basis and are therefore more suitable for smaller campaigns especially if the organisation does not have the budget for monthly subscription fees. Most online platforms will have a joining fee.

It is also worth considering the expected size of donations – some sites can take up to 20% of donations, which can make a significant difference if the campaign is likely to draw larger amounts. Similarly, considering the size and type of existing donations is also useful, for example the proportion coming from debit or credit card, as the type of card used can impact on the amount of fees paid.

It is important to plan upcoming campaigns so that assessments can be made of the fee structure and model of the different providers and how they meet the organisation's needs. For example, if a charity is expecting a high volume of income from donations then it might be more cost-effective to have a site that charges higher monthly fees but lower administration ones. If a low volume of donations is expected then using a site with higher monthly fees might mean a disproportionate impact on the donations being received, and it may be more efficient to use a platform with low or no monthly or fixed fees even if it charges a higher administration fee or commission per donation. In some cases it may be advisable to consider sliding fee structure or a maximum fee cap.

Social media

Social media is another way in which charities can effectively promote their campaigns. Recent examples such as the ice bucket challenge, Stephen Sutton's story and the grassroots #nomakeupselfie campaign powerfully demonstrated the potential to harness social networks to spread giving to a good cause. Some of the larger sites have functionality to link Facebook or Twitter accounts to the online page, through which the campaign can be promoted, which is a relatively simple process. A number of sites also have functionality to add a "donate now" button to link from the organisation's own website as well as responsive design donation processes that are optimised for smartphone usage. Peer-to-peer sharing can be very powerful: motivating people to fundraise online and share their personal fundraising stories with their friends is more effective than a simple "ask" to donate to a charity. LinkedIn can also be very useful, with more than 313 million members globally, and 16 million in the UK alone.

Websites that advertise a charity as a beneficiary without its consent

Some websites will list a large number of charities and collect donations for them without letting them know they are doing so, or without an agreement in place. This means charities can appear on websites without knowing, and then be asked for fees by that website for processing donations.

If these websites have taken money in trust but then refuse to pay the money over to the beneficiary charity, this should be referred to the Charity Commission for investigation. Some of these sites are likely to be advertising their own services on the back of charity brands so a commercial participation agreement would be needed, which may not have been considered.

A formal request should be made to remove an organisation from these sites, or charities may wish to consider a formal agreement if they want to work with them in the future.

Crowdfunding

Crowdfunding is a method of raising funds online by asking a large number of people each for a small amount of money. Typically, those seeking funds will set up a profile of their project on a website and then use social media and other networks to raise money. However, it is really important that investors and donors can easily understand what they are putting their money into, what the risks or costs are and what the potential return could be.

It is important to understand the model used by the different platforms if crowdfunding options are being considered. For example, on some platforms if the target amount for the appeal or campaign is not reached then the charity receives no income from it at all. In some cases the charity might have driven donors to the platform but they are subsequently presented with other projects to fund in other organisations because the original charity has not reached its targets.

Crowdfunding sites are also less likely to take Gift Aid declarations as there is a benefit to the donor so charities need to consider whether this element is important to them.

There are a number of different models for crowdfunding: donation, debt and equity.

Donation crowdfunding: People donate simply because they believe in the cause and have a personal or social motivation for giving. Donors expect no tangible return on their donation but can be offered a reward in the form of an acknowledgement, regular updates or free gifts.

Debt crowdfunding: Investors receive their money back with interest, allowing for the lending of money without the involvement of banks. The return is financial, but also allows the investor to benefit from contributing to an idea or project they have a personal interest in.

Equity crowdfunding: People invest money in exchange for equity. This can be shares or a stake in the project or business. If the project is successful, the value of the shares goes up, and if it is not, the value goes down.

Section 5
Understanding the risks: due diligence and security

Whenever a charity is entering into a contract with a third party to receive and manage funds on its behalf it is important that there is an adequate level of due diligence.

The nature and type of arrangements, their legal form and their substance must be fully understood. This will determine the checks and balances that need to be considered.

As explained earlier in this guide, there are fundamental differences between what needs to be taken into account when the online provider is itself a charity or when a charity is using a private company.

Whose money is it?

The first matter to understand is whether that online provider is acting as agent or principal.

If the provider is not a charity
In this case the provider is invariably acting as an agent for the recipient charity. The funds belong to the beneficiary charity once they have been received by the provider and should be ring-fenced and held in a trust account for the recipient charity and not mixed with the provider's non-charitable funds. This is important point as it would have implications if the service provider were to fail.

If the provider is a charity
Where the provider is a charity it will invariably be acting as principal. This means that the funds belong to the charity provider, albeit usually held on trust. Once the donor donates the funds they become the funds of the provider charity until they are paid over to the recipient charity.

Charity providers such as CAF, Stewardship, Global Giving and others often hold funds on a "donor advised fund" or "donor appointed fund" basis. This means that the donations are made to the provider but on a trust to apply the fund with the lawful direction of the donor. The expectation is that the funds will be passed on to a charity or charities identified by the donor as the ultimate recipient of funds.

To avoid being treated as a conduit or agent the providers, which are charities themselves, have adopted structures and arrangements that enable them show that they control the administration and management of the funds.

In most cases the providers have a number of positive functions, despite the fact that the donor reserves the power to decide the way in which the sums available shall be applied for charitable purposes. For example:

- If the donor fails to exercise the power of appointment within the agreed timeframe, or indeed, if they die before exercising the power, typically the providers have the discretion to apply the sums available;
- The provider charity has a duty to invest and otherwise manage the sums available, pending their application for charitable purposes;
- The provider charity has a duty to refuse to give effect to an improper exercise of power of appointment (for example, the donor directs an application for a non-charitable purpose).

Counterparty or default risk

At the outset it is important to recognise that, despite strong due diligence and contractual arrangements, funds can be put at risk through fraud and/or error. It is important for charities to understand the internal control and security arrangements that are in place to prevent this.

The financial health and reputation of the organisation receiving and holding funds is important. In addition to online platforms this applies to other fulfilment arrangements where third parties raise and hold funds for a charity.

There have been cases where organisations raising and/or holding funds for charities have defaulted on their obligations. In some of these cases the charities were protected and in others they have lost funds as the arrangements were not adequate to ensure the security of funds.

There are a number of signs that might indicate that all is not well. For example, in a recent well-documented case that has been taken to the High Court simple due diligence of checking the Charity Commission website would have shown that the charity provider had not fulfilled its obligation to file audited accounts for a number of years.

Audited financial statements should be reviewed to ensure that the funds are properly held as restricted funds. The assets to support these funds should be considered to ensure they are sufficient and appropriately liquid so payments can be made.

If the provider is late in making payments or is unable to make full payments in line with the agreement, this should not be glossed over as it may be indicative of underlying problems.

In addition to seeking audited accounts and other checks on the provider's stability and probity it is important to understand how and where the provider holds its funds. Enquiries should be made as to which banks, financial institutions and other third parties it uses so that there can be due consideration as to whether these are appropriate.

Can funds donated be returned?

Generally, donors that donate funds to a charity do not have the right to have funds returned to them. The donors' right is to have the trust attached to their gifts duly enforced. It is not to have their donation returned to them if a breach of trust occurs. The right to have the gift enforced does, of course, include giving effect to any lawful power of appointment which the donor has exercised. Once a valid donation has been made to a charity and accepted by the trustees, a donation can only be returnable to the donor if:

a) the donor has stipulated for this in certain circumstances, and those circumstances have occurred; or

b) the purpose stipulated by the donor for the application of his gift has failed from the beginning.

There are additional rights conferred on donors, within charity law, relating to the cancellation of payments and agreements made in response to appeals, but they are usually not relevant in this particular context.

Terms and conditions

It is important to carefully review the terms and conditions and the nature of the contract. This should be reviewed by individuals who have the skill sets to consider the legal implications. Specifically, it is important to ask for and understand the reason and implication of any liability disclaimers or limitations.

In addition to terms and conditions in the written agreement there are often additional matters referred to on the website and there should be transparency and visibility for all parties. The arrangements should have stipulated procedures to ensure that the charity and the provider have agreement on how changes will be notified.

Section 6

Implementation planning

Information security

There are reputational and legal risks that need to be considered carefully. This means that the provider should be able to demonstrate that they have strong procedures and internal controls in place to manage the risks of cyber security and information security more widely.

Assurance reports

There is an increasing trend for third party providers to offer customers assurance reports. These are typically produced by accountants to provide specific information and reporting on the internal controls of the providers to third parties.

It is for the provider to decide whether to prepare a report on its control procedures and whether to have this reported on by accountants. In certain circumstances, it may be more appropriate for the provider to allow access to customers and its auditors or provide a report on a specific aspect of its operations if this impacts an individual customer.

It is a good idea for the agreements to allow this sort of access even if it is not required as a matter of course.

Getting the balance right

Due diligence is often regarded as unnecessary and charities sometimes take comfort from the fact that a provider is providing services to a number of other charities. When it is business as usual there may be no perception of problems. However, in cases where things have gone wrong it is apparent that there should have been better checks and balances in place to protect donors and the funds that they have donated to charities.

While some of the checks may appear to be unnecessary, prevention is better than cure and ensuring that good due diligence systems and procedures coupled with strong contracts can be vital in protecting charities.

The concept of "value at risk" should be considered and if the amount that is outstanding is always small then the level of checking can be proportionately limited. Notwithstanding this, it is important to recognise that what may start off small may grow and the value at risk may increase. Checks should be completed at the outset and there should be regular ongoing reviews to cover all the matters in this section.

In addition, it is important to recognise that some charities use online platforms as their sole means of receiving and gathering donations, and even if the amounts outstanding are small, recent cases have shown that in the event of a provider failing, transferring all donors to other options can be difficult and can lead to loss of income.

Don't be afraid to ask questions about how your money and data will be managed and kept secure.

Implementation

Once a provider has been selected, there are a number of steps that charities will need to go through to ensure all stakeholders are aware of their responsibilities and that implementation is smooth and effective. This includes setting up an appropriate timeline for going live, organising the documents required for registering with the site, setting up communications for internal and external stakeholders, establishing how the site will be managed on an ongoing basis and carrying out testing to ensure all is working as it should.

Timeline

When planning a timeline for setting up the platform it is important to consider how many internal departments will need to be involved, and how much preparation is required to ensure all documentation is in order. The scale of this is likely to depend on the size of the organisation and how accesible the required paperwork is. You may also need to factor in time to gather the documents – sourcing information from trustees and other teams can often take longer than anticipated so it is worth bearing this in mind during the planning stage.

It is also important to investigate how long the registration is likely to take on the provider's side. Some will require check an application internally before it is approved, time which will need factoring into the schedule.

Another time consideration is whether clearance from the trustee board or others in the charity is required, such as to approve the budget for the project.

Documents typically required for registration with an online platform:

There are a number of documents that organisations may need to have ready to register with the site. These might include:

- Charity Commission charity number;
- Registered address of the charity;
- Administration address of the charity (if different from registered address);
- Contact details for the charity;
- HMRC charity number (if registered);
- Filled in Chv1 form from HMRC – if the charity intends for the platform to claim Gift Aid on its behalf;
- Charity logo to upload onto the website. This will need to be of sufficient resolution;
- Short description of the charity that can be uploaded onto the website;
- Bank details, address and account information;
- Details of trustees – some sites will require their names and addresses;
- Credit/debit card details – if paying a set-up fee, a form of payment to initiate the process will be required;
- Original bank statement or a recently certified letter may also be required for verification purposes.

Internal and external communications

How charities communicate about their platform to both internal and external stakeholders is an important consideration.

Internally, if input is required from other teams or volunteers during implementation or once it has gone live, it is crucial that expectations of what is required from them is outlined clearly.

Externally, whether communicating with regular donors via a newsletter, social media or through a website, charities will need to think about the various ways in which they will let them know about the charity's new online giving site.

Establishing financial processes

Consideration will need to be given as to how the charity will receive donations from the third party site and how these will be coded and recorded. Equally, it should be established if and how the Gift Aid is to be claimed, such as whether this will be received separately or as a lump sum with the donations, as it will have implications for reporting.

A process for reconciling the amounts received in the organisation's bank account and the amount stated by the site will also be important for managing the site on an ongoing basis.

For audit purposes, charities will need to establish a system that will ensure that record keeping of transactions with the platform is kept consistent and accurate.

Professional fundraiser, agency or commercial participation agreements:

There are special rules required by law when a charity works with professional fundraisers or commercial participators. It is important to have an agreement in place with the organisation running the site and/or collecting funds to ensure both parties know what the terms and conditions of the relationship are. This doesn't have to be a lengthy or complex document, but should contain the following:

- The names and addresses of all the parties to the agreement;
- The date on which each party signed and the duration of the agreement;
- Any terms dealing with early termination or variation;
- A statement of the principal objectives of the agreement and the methods to be used to achieve those objectives;
- Terms for the payment of fees and expenses to the professional fundraiser or deductions made by a commercial participator;
- If more than one charity is involved, how funds raised will be shared between them.

More information on commercial participators and professional fundraisers is available in the Code of Fundraising Practice available on the Institute of Fundraising's website.

Section 7
Case studies

The following case studies provide an illustration of some of the practical points raised in the guide from the point of view of charities with a range of needs. The charities and providers have not been named so as to focus on the principles rather than specific issues.

Case study 1: Small international development charity

"We needed a solution that was more suited to our volunteers' individual fundraising activities"

We are an entirely volunteer-led charity with an annual turnover of £125,000 that seeks to improve access to and the quality of education in East Africa. We also offer young people in the UK a first-hand experience in grassroots international development. Around 40 volunteers each year work with partner schools in rural Kenya and Uganda. The volunteers fundraise to cover their own costs as well as funds to invest in their partner schools. We also conduct central fundraising activities to fund their additional projects.

Having the capacity to fundraise online was a huge bonus for our volunteers in attracting support from friends, family and further afield. We still have some donors that continue to donate via traditional forms of payment – such as cheque or bank transfer – but this is generally for larger one-off or annual donations.

Initially, we used a large, well-known and well-established platform as it felt trustworthy. However, over time we found that the charges and fees associated with using the platform were not cost-effective, due to us having lots of individual fundraisers transferring small amounts. Instead, we felt we needed a solution that was more suited to our volunteers' individual fundraising activities and that would allow us to fundraise centrally.

We did a comprehensive review of the options available, and chose another platform with a different fee structure. The main reasons behind our decision were that there were no costs apart from the debit or credit card fees; that we could set our account so that the platform could claim Gift Aid on our behalf; and that it is very straightforward to set up multiple individual fundraisers and different fundraising events on the system.

We also found this platform to have a very useful function for setting up regular monthly donations by credit or debit card – something we are starting to use within a regular giving scheme for alumni and other supporters of the charity.

Case study 2: A local church in Edinburgh

"It is important that the site is as user-friendly as possible"

During a major capital appeal, half of the target was initially raised through approaches to our members. To raise the remaining half, we decided to make the appeal public, which we intended to do by raising awareness and funding through events and other activities.

Initially we decided to use an online giving platform to support a particular fundraising event on the basis that it gave us useful functionality, such as each fundraiser being able to set their own target and communicate directly with their own donors. This platform also meant we were able to easily integrate our pre-existing Twitter and Facebook accounts, website and other communication tools to publicise their fundraising efforts.

Later on during the campaign we targeted our fundraising towards contacts based in the rest of the UK and abroad. By using an online giving platform we could put the link or QR (Quick Response) code, a two-dimensional barcode that can be read using smartphones, on our leaflets, website, displays and other materials to provide people with an easy way to give, particularly if they weren't able to use cheques or cash. The site also enabled us to collect donor's email addresses (with their consent) for future correspondence.

Crucially, the site has also made it more straightforward for us to handle Gift Aid claims as it does all the work for us. This is particularly important given that our back office is largely supported by volunteers who do not have the time or skills to deal with the process.

When we first chose a fundraising platform, the most important factor was achieving value for money. The decision we had was between one site that simply charged a percentage on every donation and another that charged a monthly fee. The latter would mean that we would be charged every month, even if we had not received any donations. As we were not sure we could guarantee a large and regular stream of income, we opted for the one that would still be cost effective if we had just a few one-off, sporadic gifts.

In addition, I knew from recommendations that one was better in terms of usability, reporting, and staff availability when needing assistance. Again, as a small charity that has little fundraising experience and that relies on volunteer support, it is important that the site is as user-friendly as possible.

Case study 3: Hospice in Wrexham

"We have seen a significant increase in all online activity"

In 2010 we decided to invest in software and increase our profile to enable us to take payments online in light of developments in the ways in which donors were giving.

Additionally we wanted to keep up with how donors were fundraising online for marathons and other events. We were receiving feedback from our donors that suggested they preferred online platforms for fundraising due to their ease of use and not having to chase sponsorship monies after they had completed an event.

We decided to trial a lesser known site that was more expensive than some of the others as it enabled us to use our own brand on the site, which we thought would be important for our target audience. Since then it has been clear that the investment has been worth it. The branding functionality allows us to brand our specific events such as the "Ladies Midnight Walk" and "Wrexham 10km'" and has led to an increase in income. We are also able to really engage with the individuals taking part (and their supporters too) by sending a more personalised thank you letter and presenting the user with a video clip about the hospice following their donation.

We have found that a lot of fundraisers still prefer the security of using better-known sites as their preferred online platform so we have taken the decision to promote two others as well, particularly for the London marathon.

Administering the monies which come in online from the platforms we use places a heavy reliance on our fundraising office manager and the administration team. This is because the reporting systems for each online giving platform are so different, even for reclaiming Gift Aid. For example, one will reclaim the Gift Aid on behalf of the charity, while another charges an extra fee for this service meaning we have chosen to complete this activity ourselves, which takes longer.

Overall, we have seen a significant increase in all online activity and we even use the platform that we integrated into our own site for online tribute funds, not just challenge events. We have been able to do this using the "In memory" module offered by the platform, which allows us to be be much more sensitive in the way we are asking for support. We feel that keeping a high online presence will be vital for the future as it makes it easier for people to sign up to events and fundraise online. They don't have the hassle of collecting cash and the money goes directly into the hospice bank account.

Case study 4: Medium-sized international children's charity

"The bespoke platform and the functionality it offers has been incredibly helpful"

We have developed a bespoke online giving platform, powered through a payment processing company. This change was motivated by a desire to improve design and functionality with the intention of improving the donor journey, automating the donation administration process and personalising fundraising appeals. We also still use other external online payment providers for challenge events.

As we are a reasonably small team, one of our main considerations was the potential administrative burden. Previously, we used a wide variety of online payment systems, all with different, extremely time-intensive administration demands. Now, our payment provider has an API (application program interface) that connects to our internal database and automatically imports the relevant information, including supporter information and donation details (amount, currency, etc). It also connects to our internal database and automatically imports the relevant information, including supporter information and donation details (amount, currency). In addition, there is functionality for automated Gift Aid claiming and reporting.

With the system being bespoke, we have also been able to improve the look and feel of the platform to be more in line with our own branding. This has also helped us to personalise specific appeals.

However, in terms of usability improvement, we do not feel that we are 100% there yet. There are currently around five pages to click through before a donation can be made. It would be preferable if we could to reduce this to two or three.

Overall, the bespoke platform and the functionality it offers has been incredibly helpful and was definitely worth the move.

Case study 5: Large international charity

"The benefits included offering our corporate partners a unique tool that enabled them to embed a widget into their own intranet sites"

We use a number of different online platforms as well as our own merchant bank facility on our website in order to maximise the donor's opportunity to give. Some of these sites are well-established event management sites, which have a brand reach of their own. While integration of these platforms with our own back-end systems can be difficult, the benefits gained in terms of donors setting up and managing their own pages currently outweighs the drawbacks and we are happy to continue with this system.

One of our chosen online platforms is a start-up company, which we were initially unsure about. However, it offered some attractive benefits and so we undertook a due diligence exercise before agreeing to the relationship to ensure the financial stability of the company.

The benefits included offering our corporate partners a unique tool that enabled them to embed a widget into their own intranet sites, which linked to an appeal page that they effectively controlled. This gave the companies involved the flexibility to run reports on income raised in order to substantiate matched giving payments. It also gave the employees the opportunity to make payments in a currency of their choice, which was important to our international partners.

The website also allows donors to print off tax receipts relevant to their country and can take a Gift Aid declaration for the UK-based donors, which we receive confirmation of in the data download files.

The costs of developing this functionality on our own website would have been too prohibitive for the limited number of times that the appeals are live and while the fees are relatively high by comparison, the benefit to our corporate donors was obvious.

Section 8
Conclusion and summary of best practice tips

1. Identify organisational needs and requirements

As there is such a wide range of online platforms to choose from, it is vital charities are very clear about their individual needs and requirements of the site.

Depending on how much resource is available to administer and manage the site, charities should also consider whether they would like the site to claim Gift Aid on their behalf (if applicable), whether the provider can communicate with donors, and the most appropriate means by which it records and collects information on the organisation's behalf.

2. Research potential options and providers

When beginning research into potential providers it is important to use a range of keywords or search terms that reflect the charity's needs and the type of fundraising it is undertaking. Speak to other organisations about what is working for them.

3. Match against requirements

The amount of capacity and resource a charity has to set up, manage and market the online giving platform will vary enormously from organisation to organisation, ranging from teams of employed staff to a few part-time volunteers. Additionally, the nature of the campaign will also affect how much regular interaction the site may require. As the sites themselves will also offer differing levels of customer support with these tasks, it is crucial charities consider which tasks they believe they can deliver effectively in-house, and those that might be worth paying the site to do.

The choice of online platform will also be affected by why the charity is planning to use it. A one-off campaign compared with one that is ongoing will have different considerations around the functionality required.

Additionally, the extent to which marketing can be integrated into the offer will vary extensively. This will need to be given due consideration as the ease in which potential donors will find the site is likely to have significant impact on how much will be raised.

Giving consideration to how much budget should be allocated to the project is crucial. The cost is likely to be a combination of some of the following: set-up fee; monthly fee; and a charge on each donation. These costs will need to be weighed up against the income expectations of the campaign and any additional benefits that will be included in the price.

4. Undertake due diligence

It is vital that charities undertake appropriate due diligence and risk management procedures to ensure that their organisation is protected against any potential risks, such as non-payment of monies by the platform.

5. Budget and plan for implementation, management and launch

Once a charity has assessed which provider is likely to be the most appropriate for them, it will need to set a budget for how much it can spend on the provider. Depending on the structure of the charity, this may need to pass through varying levels of sign-off before it can start planning the implementation and management of the site.

A timeline should be created as too should a clear communication plan for internal and external stakeholders.

6. Set-up agreements with providers and internal processes

Agreements should set out expectations of and for both parties. It does not need to be a lengthy document but should detail the principal objectives of the agreement, terms and conditions and any relevant information regarding changes to or termination of the contract. Ensure that internal processes are created to manage and monitor the income and expenditure and that everyone is clear on roles, responsibilities and requirements across different functions.

Good practice tips

- The views of relevant internal departments should be considered during the initial planning stage, particularly to help identify what the needs and requirements are for the site.
- Before choosing an online provider, organisations should consider whether alternative options such as developing their own website capability or SMS messaging to receive donations might be suitable as part of an overall fundraising strategy.
- When searching online for different providers, using a range of keywords to describe the charity's needs and type of campaign should help bring up diverse options to choose from.
- Once a shortlist of providers has been developed, it is worth speaking to others who might have experience of these sites. This might be through online reviews, forums or through word of mouth.
- Conduct due diligence.
- Before signing up to a chosen site it is worth checking what documents are needed in order to complete the registration process. It may slow down the process if these are not made available beforehand.

Where to go from here

Once charities have given thought to the considerations and questions raised in this guide they should feel ready to start looking for an appropriate online giving platform. Searching the internet and speaking to other organisations is good way to start.

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The Institute of Fundraising is the professional membership body for UK fundraising with over 5,300 Individual members and 400 Organisational members. Its mission is to support fundraisers, through leadership, representation, standards-setting and education, and to champion and promote fundraising as a career choice.

The Institute aims to support members and the wider fundraising community by:

Creating a better environment for fundraisers to raise money through policy and support

Increasing understanding of fundraising by being a knowledge centre for fundraisers and the general public and through setting fundraising standards

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