



FINANCIAL GOVERNANCE & SUSTAINABILITY

Related-Party Lending: The Transaction Every Charity Must Now Report

A loan on favourable terms is exactly the private benefit this reporting regime exists to surface

A loan between an association and one of its own directors, or a close family member of one, is not a private arrangement the board can quietly handle informally, regardless of how good the intentions on both sides are. It is a related party transaction, specifically named by the regulator as a leading example of the category, and, if your association is a registered charity, it carries reporting obligations that apply to almost every charity, not just the larger ones this series has previously discussed in other financial governance contexts. If your association is not a charity, there is no Annual Information Statement report, but your constitution and governing legislation still require the conflict to be managed.

Which rules apply to your association?

The law depends on how your association is set up. A **company limited by guarantee** follows the Corporations Act 2001 (Cth) and its constitution. An **incorporated association** follows its state or territory associations Act and its rules. A **registered charity** also follows the ACNC Act and the ACNC Governance Standards, and some Corporations Act rules are replaced for charities that are companies. Check your own governing documents, and get advice before decisions with legal consequences.

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The Requirement Is Now Universal, Not Just For Larger Charities

Medium and large charities must also disclose related party transactions in their annual financial report, discussed earlier in this series. The exact requirements depend on whether the charity prepares general or special purpose financial statements, so confirm them with your auditor or reviewer. Since the 2023 Annual Information Statement, all registered charities except Basic Religious Charities must report related party transactions in the Annual Information Statement, including small charities. A charity that identifies a reportable related party transaction must specify what type it involved, and a loan from or to a related party, regardless of whether interest is charged, is explicitly named by the ACNC as one of the clearest, most common examples of the category. The definition of a related party is broad even for small charities: a person or organisation connected to the charity with significant influence over it, capturing Responsible People, senior management, and their close family members.

Why A Loan Specifically Draws This Level Of Attention

A related party transaction is a transfer of resources, services, or obligations between related parties, and it is captured by this reporting regime regardless of whether a market price or commercial terms were applied. A loan is a particularly clear example because it creates an ongoing financial relationship, not a single point-in-time transaction, and because favourable terms, no interest, an unusually long repayment period, or forgiveness of the debt, are precisely the kind of private benefit this reporting regime exists to surface. The ACNC has directly stated that improperly managed related party transactions have led to situations where Responsible People obtained private benefit from their own

decisions, and in some cases this has resulted in a charity's registration being revoked entirely, a consequence considerably more serious than the loan itself. A related party loan is not automatically improper. What makes it improper is the absence of arm's-length terms, proper board process excluding the conflicted party, and honest disclosure, exactly the pattern this series has already identified as the difference between a manageable conflict and a governance failure.

The Additional Layer For Organisations Structured As Public Companies

Associations structured as companies limited by guarantee carry an additional, separate legal requirement under section 208 of the Corporations Act: member approval must generally be obtained before the company gives a financial benefit to a related party, a category that squarely includes a loan on favourable terms. Specific exceptions exist in sections 210 to 216 of the Corporations Act, including arrangements on arm's-length terms, but a board should never assume an exception applies without confirming it, given that both the ACNC and ASIC can independently take an interest in the same transaction under their respective regimes. Incorporated associations are not covered by section 208, so check the conflict of interest provisions in your state or territory Act and your rules.

- Treat any loan between the association and a Responsible Person, senior manager, or their close family member as a related party transaction requiring disclosure, regardless of whether interest is charged or the amount seems modest.
- Confirm whether your organisation's structure as a company limited by guarantee triggers the separate section 208 member approval requirement before any financial benefit, including a loan, is provided to a related party.
- Apply the conflict of interest discipline discussed earlier in this series in full, disclosure followed by the conflicted person's exclusion from the actual decision, to any related party lending arrangement under consideration.
- Maintain a related party register capturing enough detail about each transaction to meet your Annual Information Statement reporting obligations without a last-minute scramble at reporting time.
- Seek professional advice before finalising any related party loan, since the combined ACNC and, where applicable, Corporations Act requirements intersect in ways worth confirming precisely rather than assuming.

The regulator is not treating related party lending as an obscure technicality. It has specifically named loans as a leading example of the category, extended reporting obligations to almost every charity regardless of size, and demonstrated willingness to investigate and act where the underlying governance has failed. A board that treats an informal loan to one of its own as a private matter between friends is exposing the organisation, and the individuals involved, to a risk considerably larger than the value of the loan itself.

This is one of the practical governance topics built into our Board Director course, alongside the papers, tools and frameworks that turn the principle into your board's actual practice. [Explore the course](#)

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BOARDROOM ACTION WORKSHEET

Related-Party Lending: The Transaction Every Charity Must Now Report

Turn the resource into evidence, a decision and an accountable next step. Keep the completed record in your association's approved board records system.

1 What is the issue or decision?

State the governance question in one clear sentence.

2 What evidence do we already have?

Record the facts, source documents and stakeholder evidence available now.

3 What evidence is still needed?

Identify the legal, regulatory, financial, member or operational information still required.

4 What is the agreed next action?

Capture the owner, timeframe and how the matter will return to the board.

Action owner	Review date	Board decision or resolution

General education, not legal, financial, tax, clinical or governance advice. Confirm specifics at the relevant primary source or with your own qualified adviser. Nexus Leadership is operated by Lipstick Consulting Pty Ltd · ABN 15 619 120 482.

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