27 March 2018

Motability

I refer to the letter to you dated 19 March from the Minister for Disabled People, Health and Work, the Rt Hon Sarah Newton MP. Attached to this letter are copies of correspondence between the Department and Motability dating back to 2013, which the Minister promised to provide at your Inquiry’s session on 5 March. As she notes in her letter, there are some gaps in the Department’s correspondence.

During the session on 5 March, a member of the Work and Pensions Committee Neil Coyle MP said that it would be welcome if Motability could also be asked to provide correspondence from the relevant period (2012 to 2013). Although we have not, in fact, been asked, I thought it would be helpful to your inquiry if we provided a copy of our correspondence from the period, as this helps to fill in some of the gaps in the Department’s file, and this is attached.

The correspondence speaks for itself but, if I may, I would highlight two points. First, the charity made clear that it wished to spread the support as widely as possible, over the full five years of PIP implementation, and not, as the Minister wished, focus it all on the initial period of implementation up to October 2015. Second (and reinforcing this), the principle of the charity’s independence was emphasised in Motability’s letter to the Minister dated 21 August 2013.

I would be most grateful if you would agree to place this letter and the attached file on your website.

[Signature]

Director
Notes of Motability – DWP Meeting on 30th April 2012

Attendees: Lord Sterling – Chairman, Motability
          Declan O’Mahony – Director, Motability
          Iain Duncan Smith – Secretary of State for Work and Pensions
          Kate Davies – Private Secretary to IDS

1. The meeting between DWP and Motability lasted for close to an hour although IDS had to leave early to be in the House for an Urgent Question. The tone was welcoming and open; IDS emphasised that he was happy to meet again if required in the coming months. We left copies of a full briefing presentation with IDS's Private Secretary.

2. After introductions, the meeting focused quickly onto welfare reform and, in particular, the replacement of DLA with PIP. Lord Sterling questioned whether the criteria for the enhanced level of mobility component of PIP were perhaps being set too restrictively for physical impairments. IDS noted the concern and added that all of the proposals regarding activities, assessments and scoring were under consultation and the DWP would consider the views of disabled people and organisations in the coming months.

3. The implementation challenges associated with PIP were also discussed. In particular, Motability emphasised the benefits of managing the transition smoothly from DLA to PIP and perhaps providing some level of transitional arrangements for people who would receive less under PIP than under DLA, especially if they could be losing access to a Motability car as a consequence. IDS agreed and noted that these issues were under consideration by his officials who would continue to work closely with Motability in this regard.

4. Recognising that Motability would be in the unenviable position of collecting cars from customers and families, Lord Sterling outlined our plans to increase engagement with MPs including car handovers so that MPs fully appreciated the broad role and impact of Motability. IDS understood the need for such activity.

5. Once IDS had left the meeting, we continued to discuss the issues around DLA and PIP with IDS’s Private Secretary who, prior to her current role, had been a member of the team developing the PIP strategy at the beginning. She was very knowledgeable about the changes and the implementation issues that will arise, and appreciated the need to maintain close contact with Motability throughout the process which may be helpful in the months ahead.

Declan O’Mahony
May 2012
20th November 2012

The Rt Hon Iain Duncan Smith
Secretary of State for Work and Pensions
Department for Work and Pensions
Caxton House
Tothill Street
London SW1H 9NA

Thank you for the opportunity to meet on 31st October; my colleagues and I found the discussions very helpful. I am particularly pleased that the working relationship between Motability and the Department is so open and constructive as we face a number of complex and difficult challenges in the coming years.

Since the meeting, we have reflected further on a number of the specific issues discussed. Motability has a proud history of service to our disabled customers and we will ensure that we provide the right transitional support to them if they are no longer eligible to use the Motability Scheme following reassessment for PIP. We are already discussing a number of options with disability organisations and customers, and we will continue to discuss our progress with your officials. However, we do not consider it likely that car manufacturers would be willing to provide financial support for such initiatives; the nature of the Scheme is that it secures a high level of discount on the initial purchase of the car and leaves manufacturers with little margin to support other subsequent initiatives.

We also discussed the importance of ensuring that disabled people are encouraged and helped into employment wherever possible. Over the coming months, we will work closely with your officials to consider which DWP programmes may be of most relevance to our suppliers and whether we can
provide additional encouragement or support to maximise their participation in such programmes. We will also consider how we can help to support disabled people who lose eligibility to use the Scheme so that their existing employment is not affected, for example, by highlighting other mobility options and other support (e.g. Access to Work) available to them.

We will continue to work closely with your Department on these and other on-going issues.
Thank you for your letter of 20 November following our meeting of 31 October. It was good to meet and discuss how Motability and the Department can continue to work together in providing disabled people with a real opportunity to live more independent lives. I am confident that you and your organisation are well prepared for the introduction of Personal Independence Payment next year.

I welcome your commitment to identify what transitional support Motability can offer those people who will no longer be eligible to stay with the Scheme once Personal Independence Payment is introduced. Access to an affordable car could be important part of this support, if only for the short term, while they make other arrangements.

I look forward to hearing the outcome of your discussions with your manufacturers and suppliers, and what options you have for helping those individuals who will need to move off your scheme after losing their entitlement to Disability Living Allowance.

Through your signposting, we will ensure that eligible disabled people who lose their Motability vehicles will continue to receive support through DWP’s programmes.

The Rt Hon Iain Duncan Smith MP
SECRETARY OF STATE FOR WORK AND PENSIONS
Rt Hon Iain Duncan Smith MP
Secretary of State for Works and Pensions
4th Floor
Caxton House
Tothill Stret
London SW1H 9NA

23 January 2013

To keep you in the picture, we have had a number of discussions with leading manufacturers who are key to the Motability Scheme.

We have worked closely with these manufacturers over the last 35 years. Apart from a desire to support Motability’s aims due to our buying power being more than 10% of the UK car market, we have negotiated exceptional levels of discounts which are considerably higher than any other leasing company or fleet in the country.

We think the likelihood of manufacturers being prepared or indeed able to contribute further discounts is not only most unlikely but their Head Offices could decide that they would prefer to allocate such resources to promoting other parts of their business.

Motability Operations and the manufacturers are in dialogue to see whether there are other areas whereby Motability customers who have to give up their vehicles can be helped.

Copy

Esther McVey – Minister for Disabled People
Rt. Hon. Iain Duncan Smith MP
Secretary of State for Work and Pensions
4th Floor
Caxton House
Tothill Street
London
SW1H 9DA

1 March 2013

Dear Secretary of State,

Further to my letter of 23 January 2013, I want to update you on Motability’s plans to provide transitional support for customers who no longer qualify to use the Scheme following a PIP reassessment.

Having consulted intensively with customers and disability organisations over the last few months, we have concluded that Motability should offer significant support to help these customers through what will be a difficult transition for them. These measures are to include:

- allowing them to retain the Scheme car for 28 days after their mobility allowance ends, giving them some time to make alternative arrangements. As we mentioned in our meeting last year, we are unable to go beyond this without incurring a very significant VAT cost;

- providing a financial incentive of £250 for customers who return the car to the dealership within the agreed period, together with a charitable grant of £500 i.e. £750 in total to help them organise alternative mobility arrangements outside of the Scheme;

- providing additional special help for customers with particular mobility needs including adaptations or accessible vehicles;

- leaving cars with customers who are in the process of applying for Access to Work support, to avoid any risk that they lose their jobs in the interim;

- offering an opportunity to purchase their current Scheme car; and

- setting up a special unit within Motability to provide information and advice on motoring, insurance and associated services outside of the Scheme.
As you may know, I have been working quietly with David Freud on various aspects; Declan O'Mahony and his colleagues at Motability are also working closely with your officials. We will continue to develop the details of these proposed arrangements which will need to be in place by October 2013 but, following our earlier discussions, I wanted to update you and to assure you that Motability will provide significant transitional support to these customers, at an estimated cost to the Scheme of up to £100 million over the transitional period, depending on how the numbers finally unfold.

Sincerely yours,

[Signature]

on behalf of

Lord Sterling

cc  Esther McVey MP - Minister for Disabled People
    Lord Freud - Minister for Welfare Reform
    Declan O'Mahony - Director, Motability
March 2013

Dear Steak

Thank you for your letter of the 1 March 2013. I appreciate you keeping me updated on the work Motability is doing to help those people who may lose eligibility to the Scheme following the introduction of Personal Independence Payment.

I am interested in the package of measures outlined in your letter as they could provide valuable support to this group. I also welcome the clear commitment to invest significant funds towards this transitional support. I would like my officials to continue to work with Motability to understand the implications of these measures, your proposals around funding and explore what further can be done to support this group.

Ahead of the introduction of Personal Independence Payment in April, and during the phased rollout, it is critical that we continue to work together closely to align our approaches to supporting claimants and communicating with stakeholders. I would like to meet to discuss this – my office will be in touch to arrange a time.

The Rt Hon Iain Duncan Smith MP
SECRETARY OF STATE FOR WORK AND PENSIONS
Dear Minister,

Following our meeting yesterday, I thought it would be helpful to confirm the key points and next steps:

i) In relation to the 203,900 Motability customers forecast by the DWP to lose eligibility to use the Scheme following PIP reassessments, you asked us to consider giving each of them £3,000 as they leave the Scheme or possibly when any appeal has been determined. You suggested that this could be in cash or in additional time in the Scheme vehicle or a combination of both. In particular, you asked us to focus our consideration on those with fixed term awards who will be reassessed in the period up to October 2015 i.e. prior to any changes that may be made following the Government’s review of PIP during 2014. We estimate the number of affected customers in this first phase to be circa 30% of the 203,900.

ii) In our meeting, we asked you on what basis the £3,000 figure is being proposed. As you know, we have been consulting extensively with customers and disability organisations on a range of financial and other measures that customers would find useful should they have to leave the Scheme following a PIP reassessment. In considering your specific £3,000 figure, it would be very helpful if the DWP could share the underlying research or analysis that has been used to arrive at this figure as being an appropriate payment to such customers.

iii) Amid the many numbers quoted at yesterday’s meeting, we outlined the proposed package of measures that we have drawn up in consultation with customers, other charities, and which we have discussed with you and your officials at previous meetings. For the record, though, I thought it would be helpful to summarise this package in writing to you, namely; allowing the customer to retain the vehicle for four weeks after their allowance ends; a cash payment of circa £750 upon prompt return of the leased vehicle; specific additional help focused on adaptations and WAVs; and the provision of information and advice for customers who can no longer remain on the Scheme. In total, the cost of that package per customer is circa £1,150.
Having discussed with colleagues since our meeting – and given how much time will be needed to consider your request from a variety of perspectives and come back to you with a more detailed response – we expect to be in a position to provide you with an initial response in mid-August. We will of course be very happy to discuss further with you at that point.

Regards,

Declan
Arriving at the £3,000 figure [reformatted]
Rhodes Stephen STRATEGY LABOUR MARKET [STEPHEN.RHODES@DWP.GSI.GOV.UK]
Sent: 30 July 2013 14:48
To: O'Mahony, Declan
Cc: Dyson Michelle STRATEGY DISABILITY DIRECTORATE [MICHELLE.DYSON1@DWP.GSI.GOV.UK]; Joseph Phil STRATEGY DISABILITY DIRECTORATE [PHIL.JOSEPH@DWP.GSI.GOV.UK]; Balasingham, Nada

Declan - as discussed.

Attached is our analysis which helped form our view that a £3,000 cash offer to Motability users leaving the Scheme, as a result of Personal Independence Payment (PIP), would provide meaningful support in terms of enabling customers to purchase a second hand vehicle and first years insurance and running costs.

Cost of vehicle:

You previously stated in your letter to SoS that, within your package of support, you would look at offering each customer up to £750 - at subsequent meetings with Nada and myself you instigated that you could discuss with Governors the prospect of increasing this to £1,000 to offer a more rounded figure.

We therefore commissioned analysts to provide a readout of what we could expect customers to reasonably get with various sums either side of your £1,000 figure, in regards to a second hand vehicle and first year's insurance and running costs. (We decided to look at the first year's running costs and insurance only because this seemed to be a reasonable period of transition.)

Analysis was conducted on randomly selected second hand vehicles in the price range of £500 to £2000 by using Auto-trader:

<table>
<thead>
<tr>
<th>Data</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>£500</td>
<td>£1,000</td>
</tr>
<tr>
<td>Ave Year</td>
<td>1999</td>
</tr>
<tr>
<td>Ave Age</td>
<td>13</td>
</tr>
<tr>
<td>Ave Eng_Size</td>
<td>1.8</td>
</tr>
<tr>
<td>Ave Miles, 000</td>
<td>99</td>
</tr>
</tbody>
</table>

From various sources, including from discussions with Motability colleagues, the average age of vehicle on the road in the UK appears to be in the region of 8 to 9 years. We therefore agreed that it would be reasonable to enable a customer to purchase a vehicle that's age mirrored that of the average on the road. The analysis showed that on average, £2,000 would enable you to purchase a 9 year old vehicle with approximately 96,000 miles.

First year's running costs:

To formulate what a customer could expect to pay for first year's insurance and running costs, we used the AA's 2012 published information. The AA's analysis only provided the lowest price of vehicle at £14,000 so to work out running costs for a £2,000 vehicle, analysts attached a formula to the data to estimate what costs you would reasonably expect to pay for a £2,000 vehicle:

<table>
<thead>
<tr>
<th>Price of car Estimated</th>
<th>£2,000.00</th>
<th>£14,000</th>
<th>£17,000</th>
<th>£25,000</th>
<th>£42,000</th>
<th>£80,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>VED (Road tax)</td>
<td>£98.04</td>
<td>£135.00</td>
<td>£195.00</td>
<td>£215.00</td>
<td>£270.00</td>
<td>£475.00</td>
</tr>
<tr>
<td>Cost of capital</td>
<td>£115.23</td>
<td>£246.00</td>
<td>£322.00</td>
<td>£482.00</td>
<td>£730.00</td>
<td>£1,218.00</td>
</tr>
<tr>
<td>Depreciation</td>
<td>£150.12</td>
<td>£1,274.00</td>
<td>£2,134.00</td>
<td>£2,672.00</td>
<td>£4,438.00</td>
<td>£8,838.00</td>
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<tr>
<td>Breakdown cover</td>
<td>£50.00</td>
<td>£50.00</td>
<td>£50.00</td>
<td>£50.00</td>
<td>£50.00</td>
<td>£50.00</td>
</tr>
<tr>
<td>Cost</td>
<td>£413.40</td>
<td>£1705</td>
<td>£2701</td>
<td>£3419</td>
<td>£5488</td>
<td>£10581</td>
</tr>
</tbody>
</table>

https://owa.motability.co.uk/OWA/?ae=Item&t=IPM.Note&id=RgAAABfTlh2UJX... 07/08/2013
* These are estimates extrapolated from new car data.

**First year's insurance costs:**

Averaging out the insurance costs proved to be much more problematic because they are impacted less by the value of the vehicle but more by the individual circumstance of the person (age, postcode, previous accidents / claims) and the nature of the insurance industry in that it is highly competitive.

Again analysts used 2012 AA data to provide average insurance costs by age group across the UK as follows (age groups highlighted in orange are which we assume to be representative of the majority of Motability's caseload):

<table>
<thead>
<tr>
<th>Age of customer</th>
<th>Average</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>17-22</td>
<td>£2,415</td>
<td>£3,452</td>
<td>£1,688</td>
</tr>
<tr>
<td>23-29</td>
<td>£1,500</td>
<td>£2,145</td>
<td>£1,049</td>
</tr>
<tr>
<td>30-39</td>
<td>£986</td>
<td>£1,410</td>
<td>£689</td>
</tr>
<tr>
<td>40-49</td>
<td>£909</td>
<td>£1,299</td>
<td>£635</td>
</tr>
<tr>
<td>50-59</td>
<td>£739</td>
<td>£1,057</td>
<td>£517</td>
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<tr>
<td>60-69</td>
<td>£631</td>
<td>£902</td>
<td>£441</td>
</tr>
<tr>
<td>70+</td>
<td>£758</td>
<td>£1,083</td>
<td>£530</td>
</tr>
</tbody>
</table>

It should be noted that averaging second hand vehicle prices and running costs, and especially insurance costs is not an exact science, as I am sure you will agree. As I have already mentioned, how much an individual could expect to pay in respect to first year's insurance costs would largely be determined by their individual circumstance, for example their age and where they live which therefore makes it very difficult to formulate an average figure.

Having said this our Ministers have been clear that the transitional support package should enable claimants to purchase a vehicle and pay for the first year's running costs; offering a cash payment of £3,000 would enable them to do this. We'd expect to see claimants to see variation in how claimants use the payment, based on their individual circumstances. For example, someone who is able to secure relatively low cost insurance due to their age and location would have more money to purchase a 9 year old vehicle with but for someone who can only purchase insurance at a higher rate, such as those in the younger age groups, will still have a reasonable amount of money to put towards a 9 year old vehicle or purchase something a couple of years older.
Arriving at the £3,000 figure [reformatted]

Hope this makes sense - happy to discuss further if necessary

Thanks
Stephen

Stephen Rhodes, Disability Benefits, Decisions and Appeals Division, Disability Directorate, Department for Work and Pensions, Ground Floor, Caxton House, Tothill Street, SW1H 9NA, Tel: 0207 340 4189 (ext 23189)
Thank you for attending our meeting on Thursday evening to discuss transitional support to Motability users who leave the Scheme as a result of Personal Independence Payment (PIP) reassessment. I am grateful to you for your work on developing a package for this group, but as discussed at the meeting would like to provide something of significantly greater value to the customer.

The support package, which we would like you to deliver, allows the customer to choose between two options, as follows:

- **Option 1**: £3,000 cash payment to customers leaving the Scheme as a result of PIP reassessment which could enable the purchase of a second hand vehicle and the first year’s insurance and running costs; my officials will be contacting you to explain how we arrived at this figure.

- **Option 2**: Allow Motability losers to keep their car for the remainder of their lease which will provide them with a suitable period of time to make other arrangements.

We estimate that this package will cost a maximum of £273m up until 2015/16.

As we explained at the meeting, our focus is up to 2015/16 because we are keen to make sure that PIP beds in well and that those transitioning during the early stages of PIP are well supported. It is possible that there will be changes to PIP following the first of the independent reviews due to be completed by 2015.

During the course of the meeting there appeared to be a little confusion as to the whether or not we had originally been clear with you that this settlement was for three years, not five. For the avoidance of doubt I checked the record and it shows that at the meeting of April 24 2013 it
was clear that this was for 15/16. Were the support package to run until 2018, the cost of the options offered would increase correspondingly.

At the meeting, Secretary of State offered to meet with the credit rating agencies to discuss the security of Motability's funding stream and assure them of Government's commitment to providing this funding. This offer remains open should Motability wish to meet.

As we agreed, you will return with a revised support package before 16 August.

Esther McVey MP
Parliamentary Under Secretary of State and Minister for Disabled People
13 August 2013

Rt Hon Iain Duncan Smith MP
Secretary of State for Work and Pensions
4th Floor
Caxton House
Tothill Street
London SW1H 9DA

Dear Secretary,

We have updated a range of financial scenarios which we have been examining over the last two years in order to help Scheme customers who will no longer be able to use the Scheme following a PIP reassessment. These include the options which you and Esther asked us to consider at our meeting on 25 July.

To provide further support to those leaving the Scheme, we have in particular considered the transition which many of our customers will be making to a used car, typically seven to ten years old, which can be purchased for between £1,750 and £2,000 depending on age, mileage etc. and we have therefore focused on the capital cost of the used car. Like all car owners including close to one million eligible disabled people who choose to have cars outside of the Scheme, the decision takes into account their ability to meet the running costs.

Since its inception over 35 years ago, the standard of service and support provided by the Scheme has always reflected the very special needs of our customers. Some two years ago when the Government initially proposed the adoption of PIP, we at Motability decided that, although we have no contractual or other obligation to do so, we would wish to provide assistance to help our customers through what will obviously be a difficult transition for them.

In earlier discussions, we already informed you that we will provide the following support:

[Address and details]

Motability is a registered charity, incorporated by Royal Charter. Registered Charity in England & Wales No 299745

Chairman The Right Hon. The Lord Sterling of Plaistow GCB OBE
Vice-Chairman Sir Gerald Acher CBE TD
Hon Treasurer Richard Bernston FCA
Director Declan O’Mahony
Governors Brian Cote TD, Jerome Church MBE, Professor Peter Cooke, Alan Dickinson, Joanna Lewis, Sir Bert Maxie CBE, Paul Spencer CBE, Professor Adrian V. Stokes CBE

Chief Patron Her Majesty the Queen
• Allowing customers to retain the Scheme car for up to 28 days after their mobility allowance ends, giving them additional time to make alternative arrangements. This is worth £220 to each customer;

• Leaving cars with customers where DWP notify us that they are applying for Access to Work support, to avoid any risk that they lose their jobs in the interim;

• Offering customers an opportunity to purchase their current Scheme car at a discounted price;

• Assisting customers with the transfer of their adaptations from their Scheme cars to their replacement cars; and

• Setting up a special unit within Motability to provide information and advice on motoring, insurance and associated services outside of the Scheme.

In order to ensure that the Motability Scheme is sustainable for the long term to help the disabled community for at least another 35 years, we have the responsibility to identify risks, long term as well as short term, especially in these uncertain times. Based upon these considerations, Motability and Motability Operations have concluded that a maximum of £400 million can be allocated for this purpose over the next five years but subject to a review to be concluded by Autumn 2015. This will enable us to provide the following level of payments (summarised in Attachment A):

• For disabled people who entered into their first leasing agreement with the Scheme before January 2013 and who could not possibly have been aware of PIP and the associated risks when they joined (the vast majority of customers), we will make a payment of £2,000. This will enable them to purchase a suitable used car.

• For customers who entered into their first leasing agreement with the Scheme after January 2013 and up to December 2013, we will make a payment of £750, a significant contribution but recognising also that they joined the Scheme with an awareness of PIP being introduced and of the risk that they could lose eligibility following a future PIP reassessment.
In addition, Motability will make available up to £50 million of charitable funds spread over the next five years, providing additional discretionary help for customers with particular mobility needs, including adaptations or wheelchair accessible vehicles and for other customers in particular hardship or other exceptional circumstances. This will be administered by Motability’s specialist Charitable Grants team, who have performed this role since the inception of the Scheme but the number of requests for special help is anticipated to increase very significantly.

In the months and years to come, it will be of great importance to keep this programme under constant review as we will all be gaining experience of how it is working. We are committing to this specific level of support through the initial phase of reassessments to Autumn 2015. Our aspiration is to maintain this level of support over the full five years of PIP reassessments but we must reiterate the need to formally review our support package in Autumn 2015, to take account of economic circumstances and of any possible changes Government may be making to PIP at that time.

This revised package of support will need to be formally ratified during early September.

Based on the DWP’s forecast of 203,900 Scheme customers being affected over the full period of reassessments, the overall cost will be up to £500 million. Our judgement is that this package will be welcomed by the disabled community.

One of Motability’s strengths since its inception has been to enjoy all-party support. When briefed, I would hope that Liam Byrne and Anne McGuire will also welcome this initiative.

Copied to: Esther McVey MP – Minister for Disabled People
Lord Freud – Minister for Welfare Reform
Payments to Exiting Customers following PIP Reassessments

<table>
<thead>
<tr>
<th>Date of First Scheme Agreement</th>
<th>Amount of Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to December 2012</td>
<td>£2,000</td>
</tr>
<tr>
<td>January 2013 to December 2013</td>
<td>£750</td>
</tr>
</tbody>
</table>

Notes:

1. Some or all of these payments will be conditional upon the customer returning the car to the dealership within the required timescale. Payments will be made once the car is returned to the dealership.

2. These payments are in addition to pro-rata refunds of any Advance Payments. Customers will not be charged any penalties or fees related to early termination.

3. These payments are only available to DLA recipients who are leaving the Scheme as a result of a PIP reassessment.
13 August 2013

Rt Hon Iain Duncan Smith MP
Secretary of State for Work and Pensions
4th Floor
Caxton House
Tothill Street
London SW1H 9DA

Dear Secretary,

Further to our recent discussions, I just wanted to bring up the 20m versus 50m debate, on which we have had many discussions with disabled people, disability organisations and our own Governors, who include as you know a number of senior disability figures including Sir Bert Massie, Professor Adrian Stokes and Joe Hennessy.

I believe that this issue sadly has undermined the support for PIP which you, Esther and David had built up over a lengthy process of consultation.

I fully realise that you have to take into account the potential financial implications but, if you were able to move to the 50m threshold, I have no doubt that this would be very well received by the disabled community. Indeed, together with our transitional support plans, this would help to bed down the acceptance of PIP.

Copied to: Esther McVey MP – Minister for Disabled People
Lord Freud – Minister for Welfare Reform
Dear Lord Sterling,

Thank you for your letter of 13 August 2013.

While this package represents a positive step forward, it remains short of the package the Secretary of State and I believe is within Motability's financial capability - a cash payment of £3,000 per individual. As stated in our previous meeting, this will help individuals to not only help buy a second hand car but cover the running costs for at least the first year.

I did try and arrange a phone call with you on this matter but unfortunately you were not available, however, I would welcome a phone call to discuss this as soon as possible.

Esther McVey MP
Parliamentary Under Secretary of State and Minister for Disabled People
Dear Declan,

Thank you for your letter of 13 August 2013.

While this package represents a positive step forward, it remains short of the package the Secretary of State and I believe is within Motability’s financial capability - a cash payment of £3,000 per individual. As stated in our previous meeting, this will help individuals to not only help buy a second hand car but cover the running costs for at least the first year.

I did try and arrange a phone call with you on this matter but understand you were not able to speak to me without Lord Sterling present.

Esther McVey MP

Parliamentary Under Secretary of State and Minister for Disabled People
21 August 2013

Ms. Esther McVey MP
Minister for Disabled People
4th Floor
Caxton House
Tothill Street
London SW1H 9DA

Dear Minister,

In your letter of 14 August, you stated that, although Motability’s support package for customers forced to leave the Scheme following a PIP reassessment was ‘a positive step forward’, it remained ‘short of the package the Secretary of State and you believe to be within Motability’s financial capability - a cash payment of £3,000 per individual which would not only help to buy a used car but also cover the running costs for at least the first year’.

Following your phone call last Thursday with Declan and myself, you asked me to reflect on the points you made.

To recap, I made a number of opening comments which I would first like to reiterate:

1) For those disabled people who choose to join the Motability Scheme, we would emphasise that the allowances which they use are their own funds, paid directly to the Scheme by DWP on the instructions of the customer. Motability of course is not funded by the Government and in fact, the enhanced value it creates for customers comes primarily from the discounts which we negotiate with manufacturers, together with the unique level of specialised service which disabled people require.

2) Charity law and the Charity Commission are absolutely clear that:

a) Charities must be independent of Government and other funders
b) Trustees must act in the interests of the charity and its beneficiaries
c) Trustees must make decisions in line with their duty of care and duty to act prudently
With respect, therefore, it is not for Government to judge what is within the ‘financial capability’ of Motability or indeed to determine how any funds should be allocated.

3) It is for Motability and Motability Operations to determine the financial capability of the Scheme, and for Motability Governors to decide how any funds should be allocated. We have concluded that no more than £500 million can safely be allocated to customers leaving the Scheme following a PIP reassessment, as set out in my letter to the Secretary of State on 13 August, without undermining the future sustainability of the Scheme.

In our telephone call last Thursday, you began by stating that our ‘offer’ was not acceptable. I told you that, following two years of analysis, customer research, consultation with disability organisations and deliberation, together with considerable input from our financial and legal advisors, we had decided on the package set out in my letter of 13 August. I emphasised that, as we are not in a process of negotiation with Government, our transitional support package was not in fact an ‘offer’.

I was somewhat surprised when you asked us to increase the package to £3,000 per individual, based on your view that a disabled person would need between £3,000 and £4,500 for a used car. At our recent meeting with the Secretary of State, you stated that the £3,000 figure was based on £2,000 to purchase a used car and £1,000 for running costs in the first year. In any case, I would suggest that the Motability Scheme has acquired more used car expertise than most organisations in this country, and I am satisfied that £1,750 to £2,000 will indeed enable disabled people to continue to have mobility by purchasing a used car at that level of cost.

Our former Scheme customers will have to take into account their ability to meet the on-going running costs like, as I said in my letter to the Secretary of State, close to one million other recipients of higher rate mobility allowances who choose to have cars outside of the Motability Scheme today.

You also specifically asked us to focus our financial resources on the initial phase of reassessments up to 2015/16. However, having made our decision, we consider that we have a responsibility to provide transitional assistance over the full five years of reassessments. We were surprised at this request as we had always understood that DWP itself was likewise fully committed over the same period.

Over the coming months, we will of course continue our usual discussions with your officials to co-ordinate our communications and implementation plans with DWP, both prior to the start of reassessments and in the crucial first months when we are learning how these will operate in practice for our customers and making any refinements that may be required to our support package.
I fully appreciate the scale of the changes which the Secretary of State, with your support, is making to the welfare system.

For Motability, these changes have required us to make the most important policy changes in how we manage the Scheme since its inception in 1977.

Copied to: Rt Hon Iain Duncan Smith MP - Secretary of State for Work and Pensions

Lord Freud - Minister for Welfare Reform
17 September 2013

Rt Hon Iain Duncan Smith MP
Secretary of State for Work and Pensions
4th Floor
Caxton House
Tothill Street
London SW1H 9DA

Dear Secretary State,

In our phone call last Wednesday (11 September), we had the opportunity to exchange views on the changes we have made to our support package for customers who will no longer be eligible to use the Motability Scheme following a PIP reassessment. I appreciated your recognition of how far Motability is going to support these customers, through what will be a difficult transition for them. We are also increasingly aware that there will be a very significant number of special cases to be considered on an individual basis.

As I described in my letter of 13 August, many of these former customers will be looking to buy a used car; our transitional support payment of £2,000 to those who joined the Scheme before the end of 2012 will cover the capital cost of a car which will continue to meet their basic mobility needs. Following our discussion, we have looked again at the level of transitional support payment we could make to those customers who first joined the Scheme in 2013 with an awareness of the advent of PIP. Within the pool of money allocated, we have decided that we should be able to increase this payment from £750 to £1,000 and I believe that the respective Boards will support this change.

Apart from the vehicle itself, arranging insurance will be the most important issue for former customers. However, in the motor insurance market generally, many former Scheme customers will find it difficult to obtain a quality insurance policy at an attractive price, mainly for the following reasons:

- they would not be eligible for a No-Claims Discount as they have not driven a car insured in their name;
- they may live in high premium postcodes for insurance purposes; and
in many cases they drive either an adapted or converted vehicle for which they may find it difficult to arrange insurance, particularly through online comparison sites and direct insurers.

We have therefore put in a lot of effort to see how this potential problem could be addressed. As you may well know, the Scheme motor insurance has, for many years, been handled by RSA through a dedicated team of over 300 staff in Liverpool. We are in active discussions with a leading insurance broker who is highly regarded and recommended by RSA as having the appropriate expertise and commitment to customer service to advise and offer insurance quotes to former Scheme customers.

The key features of this facility would include:

- A high quality comprehensive insurance product including RAC Homestart breakdown cover so that it is comparable to what they had on the Scheme. This policy would include compulsory excesses from as low as £100 (Scheme excess is £75); if the customer was willing to accept a higher voluntary excess, the premium quoted would be lower.

- A willingness to provide a quote for 99% of our former customers (versus 80% who would receive quotes from the market generally).

- A panel of 21 insurers would ensure competitive premiums. The panel would include two insurers with experience of insuring specialised vehicles for disabled people.

- The broker would ensure that the customer would benefit from a No-Claims Discount of up to 60% (for five or more years of claim-free driving) which would not be the case in the market generally, as the Scheme history would not be recognised. For a typical premium based on a small family car of £700 per annum, the customer with five years or more claim-free driving on the Scheme would therefore pay circa £300, saving some £400 per annum.

Although Motability would not be providing any funding to this initiative, we are using our expertise and relationships to encourage others to offer a suitable product for our former Scheme customers. In particular, this UK-wide insurance broker has a fine reputation and its principals are very pleased to be involved in helping disabled people through a challenging period.

Finally, for your interest, both Liam Byrne and Anne McGuire were very complimentary about our package of support measures and considered them generous and timely. We intend to make a low-key release after our AGM on
Senior Patrons will be informed accordingly, together with Members of both Houses of Parliament. We shall of course keep your officials fully updated.

On my Ehlers-Danlos syndrome, I think the key to helping those people to get back on the road again will be key to helping those people to get back on the road again.

With kind regards,

[Signature]

Copied to: Esther McVey MP – Minister for Disabled People
Lord Freud – Minister for Welfare Reform