As promised, please find attached the correspondence between the Department and Motability dating back to 2013. Names of individuals have been removed under Section 40(2) of the FOI Act. There are some gaps in our correspondence but the Department is taking steps to retrieve anything further which may be relevant to the Committee.

As requested, please see the following information which sets out the substance of the VAT and IPT exemptions in relation to Motability.

**VAT AND IPT**

IPT law makes it possible for insurance contracts provided to a business providing a vehicle to disabled persons in receipt of mobility payments to be exempt from IPT.

Under UK VAT rules, it is possible for providers other than Motability to zero rate leases of motor vehicles to disabled persons in receipt of mobility payments. [*VAT Act 1994, Schedule 8, Part II, Group 12 (14)*]. However, the exemption applies only where (i) the vehicle is unused at the start of the lease (ii) the lessee is a recipient of the mobility component of DLA or PIP (or certain MoD benefits) and (iii) where the payment in settlement of the lease is met (partly or wholly) from the claimant’s mobility component, paid to the lessor by DWP/MoD on
behalf of the claimant. [VAT Act 1994, Schedule 8, Part II, Group 12, Note (6)].

This exemption extends to include sale of a vehicle leased in those circumstances where the sale is the first supply of the vehicle following expiry of the lease. [VAT Act 1994, Schedule 8, Part II Group 12 (15)].

To do so they must meet certain conditions and their business must consist predominantly of leasing vehicles to disabled persons. The purpose of the relevant VAT relief is to benefit those leasing the vehicle rather than those facilitating the transaction.

VAT Act 1994 provides a number of other exemptions of relevance to disabled people for a variety of items [VAT Act 1994, Schedule 8, Part II Group 12 2(a)-(f)] however for present purposes the following are of particular relevance:

1. Vehicles supplied, whether on sale or lease, for domestic or personal use where the vehicle is specifically designed, or substantially and permanently adapted, for carriage of a person in a wheelchair or on a stretcher (VAT Act 1994, Schedule 8, Part II Group 12 plus notes 4(b), (5) and 5B -5T).

2. Equipment and appliances not otherwise exempted designed solely for use by a disabled person. This potentially covers cars/mobility scooters designed solely to cater for disabilities other than those requiring a wheelchair or stretcher [VAT Act 1994, Schedule 8, Part II, Group 12 2(g), plus notes (4)(b), (5) and (5B)-(5T).

3. Vehicles supplied (including on a lease) to a disabled person, who usually uses a wheelchair or is usually carried on a stretcher, where the vehicle is for domestic or personal use and it is specifically designed, or substantially and permanently adapted, for the disabled person’s use: [VAT Act 1994, Schedule 8, Part II, Group 12, 2A, plus notes (5) (5M)-(5U).

4. The supply to a disabled person of services/goods for adapting goods to suit their condition (this will cover costs of adapting a standard car already supplied to a disabled person; but not the cost of the car itself): [VAT Act 1994, Schedule 8, Part II Group 12 3 and 6, plus note (8)].

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1 For HMRC Guidance see [here](#).
POSITION REGARDING SECONDARY LEGISLATION AND DIRECT TRANSFER BY GOVERNMENT DEPARTMENTS

Secretary of State has a power in primary legislation to make regulations on the circumstances and manner in which payments of benefit may be made to another person on behalf of the claimant for any purpose (and including, in particular, to meet a liability which the claimant may have to that person). [§§5(1)(p) of the Social Security Administration Act 1992 as amended by the Welfare Reform and Work Act 2016].

In exercise of this power, the SoS has enacted secondary legislation stating that where a claimant, who is entitled to the higher rate of the mobility component of DLA, or the enhanced rate of the mobility component of PIP, has entered into an agreement, under arrangements made or negotiated by Motability (the charity) for the hire or hire purchase of a vehicle, the Department may make direct payment of (part or all) of the relevant component of benefit in settlement of payments due under that agreement [Regulation 44 Social Security (Claims and Payments) Regs for DLA; Regulation 61 UC etc (Claims and Payments) Regs 2013 for PIP].

Motability, for these purposes, is defined in legislation as the company set up in that name under the Companies Act 1985 and subsequently incorporated by Royal Charter [Regulation 44(5) for DLA and regulation 62(5) UC, PIP etc Regulations 2013/380 for PIP].

At present, this provision only permits the Department to make direct payments to Motability Operations Ltd, as they are the lessor for all vehicles in the Motability scheme.

CAPITAL ALLOWANCE AND VEHICLE EXCISE & REGISTRATION

For completeness, the Committees may wish to note that there are 2 other tax benefits relevant to Motability’s operations. Both these are, however, tax benefits for claimants, and they are both of general application.

Under the Capital Allowances Act 2001, a hire car for a disabled person may be treated as a “short life asset” for the purpose of calculating capital allowances, if it is provided wholly or mainly for hire to, or the carriage of, disabled persons in the ordinary course of a trade. “Disabled person”, for these purposes, means a person in receipt of a qualifying benefit. The mobility components (at any rate) of both PIP and DLA are
qualifying benefits for these purposes. Capital allowances can provide some relief from income tax, for individuals, or corporation tax, for companies. Capital allowances must be claimed by the taxpayer.

The short life asset (SLA) legislation lets a taxpayer write off the cost of an asset over the life of the asset. It does this by putting the expenditure in a single asset pool and having a balancing adjustment when the asset is disposed of or scrapped. An asset is only a short life asset if the taxpayer elects to treat it as one. Some assets are excluded from SLA treatment (e.g. cars, special rate items and items used outside the business). If it turns out that the asset is not a short life asset, i.e. is still being used after 8 years, the expenditure in the SLA pool is transferred to the main pool in the next accounting period or tax year.

Under the Vehicle Excise and Registration Act 1994, a vehicle is an exempt vehicle, for the purposes of road tax (i.e. no tax is payable), when it is being used, or kept for use, by or for the purposes of a disabled person, providing that the vehicle is registered in the name of the disabled person, and is the only vehicle so registered. For these purposes, “disabled person” means a person entitled to a qualifying benefit. As far as DWP benefits are concerned, the qualifying benefits are: DLA mobility component at the higher rate; and PIP mobility component at the enhanced rate.

I hope you find this useful, if I can be of any further assistance please do not hesitate in contacting me.

Yours sincerely,

Sarah Newton MP
Minister for Disabled People, Health & Work
When we met on 23rd June you kindly invited me to become a patron of the Motability charity.

I have considered this matter carefully and have decided on reflection that it would not be appropriate for me to accept your offer because there is a potential for a conflict of interest in my capacity as Minister for Disabled People.

I hope you will understand this decision and be assured that I remain fully supportive of Motability and the work it does for disabled people.

Best wishes,

Marla Miller MP
Parliamentary Under Secretary of State and Minister for Disabled People
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 officials will be in touch to arrange a time.
Michelle,

As you know, SoS, MfDP and Philippa met with Lord Sterling and Neil Johnson (Chairman of Motability Operations) today to discuss transitional support for Motability losers.

**Lord Sterling agreed that Declan O’Mahony and Mike Betts should attend SMMT meeting on Monday and meet with our team tomorrow to work through options and develop strategy for SMMT meeting. MfDP’s office have already arranged. MfDP will chair, Philippa and Romilly will also attend.**

Below is a brief summary of the discussion.

SoS set out the need to: come to an agreement on the package of transitional support for Motability losers; to agree on how long claimants who lose entitlement should retain their car; to develop options and engage with manufacturers together.

Lord Sterling set out his support for Department’s welfare reforms and noted he’s received a great deal of positive feedback on the extent of Department’s consultation with stakeholders.

Lord Sterling noted Motability’s extensive experience and understanding of car industry and outlined the support package set out in his 1 March letter. He explained the package was a result of consultation with the car industry and disability lobby groups, and said that the package exceeded the lobby groups expectations (follow up e-mail from Declan attached). He also noted that the BIS team responsible for dealing with car manufacturers are not sighted on our proposals and that it was crucial for Motability/Motability Operations to maintain good relationships with industry.

Neil Johnson said there were three issues that needed considering: commercial implications, compassion, and moral hazard. He asked whether the Department would provide funding for transitional support and said that it could be argued that Government is making cuts and expecting others to pick up costs. He and Lord Sterling also questioned the rationale for generous support (£1 bn gifting) for those assessed as not needing PIP.

SoS responded that: the £1bn gifting option is not on the table; there’s scope to develop a more innovative package; across all our welfare reforms there’s transitional protection (e.g. TP in UC, DHP for spare room subsidy, ben cap); that our focus must be on ensuring safe landing of PIP up to 2015; that we must establish transitional support that runs to 2015 and is reviewed as part of Independent Review;
we should not make assumptions about what manufacturers will and won't support, especially given Motability's significant purchasing power.

Happy to discuss
Dear Minister,

Following your meeting with Lord Sterling this afternoon, he asked me to send you a short note regarding Motability’s meeting yesterday with disability organisations to discuss our proposed transitional support package for Scheme customers who lose eligibility to remain on the Scheme following a PIP reassessment. Our proposed package of transitional support was as outlined by Lord Sterling in his letter to the Secretary of State on 1st March 2013 and we presented it as “work in progress”, inviting feedback and comments from the organisations present. Overall, the feedback was very positive; the package clearly exceeded expectations and was seen as very helpful and supportive to these disabled people as they went through a difficult transition. We also picked up a number of helpful suggestions as to how we could refine the proposals which we will consider over the coming weeks and, as always, we will keep your officials updated as we do so.

The organisations present included Disability Rights UK, Disabled Motoring UK, the Limbless Association, ABF The Soldiers’ Charity, Action for Blind People, Age UK, Arthritis Care, Assist UK, British Polio Fellowship, Disabled Living Foundation, Disabled Motorists Federation, Limbcare, Leonard Cheshire Disability, MS Society, National Autistic Society, Royal British Legion, Spartacus, Thalidomide Trust, Disability Wales and the Joint Committee on Mobility for Disabled People.

If you would like any further information, please do not hesitate to let us know.

Regards,

Declan.

Declan O’Mahony, Director, Motability
Hi Declan,

Many thanks for your helpful note. Please see below a copy of the read out of last Wednesday's meeting, which was issued by the Ministers office yesterday. We are also working on providing the Minister with a submission that covers all these points on the 9 May. I will be back in the office on Monday and will give you a call if you are available to have a catch. If you wanted to talk to me before then give me a call on my mobile.

Regards

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All,

Thank for attending yesterday's meeting with Motability. It was agreed that ahead of October 2015, some transitional support would need to be provided to ensure the smooth bed-in of PIP, and support for those transitioning off the benefit. Of the options discussed, it was agreed that further work would be carried out in the following areas:

1) A payment will be given to those who opt to return their Motability car to a dealership. £750 was the suggested figure. Both MfDP and Motability saw advantages in this being part of a T.P. package.

2) There will be an option for members to 'cash in' their 56 day grace period, receiving the financial equivalent which could then be used towards the purchase of a car. Michelle/Nada grateful if your team could explore with Motability how this would work operationally.

3) DWP inquired as to the range of car prices offered by Motability i.e. what is the cheapest, most expensive and the average (median not mean). Motability agreed to provide this data. Nada please can you lead on following up.
4) Motability will develop a 'Peace of Mind' package, offering to make arrangements for all the extra services of being on the road i.e. insurance, registration etc. Members no longer using a Motability car would have the option to become a 'Motability Member' where they could pay for access to this package. MiDP would like a note, with input from Motability, showing a breakdown of the services this would include and the estimated cost. Michelle/Nada grateful if you could work with Motability on this.

5) It was agreed that dealers would need to be sensitive when handling the return of a Motability car. MiDP inquired if Motability had undertaken any work in this area, and hoped they would consider this if not. The PIP Comms and Stakeholder engagement team may be useful allies on this. Nada/Stephen to lead.

6) We would investigate if the VAT concessions could be extended to cover those receiving PIP standard rate. Members could then use a combination of benefit payments and transitional protection to keep their car for longer. In addition, Motability said they have facilities in place for if members wanted to use a number of disability benefits to pay for their car e.g. ESA and PIP. Michelle, please can your team discuss this option with HMRC colleagues and Motability, who may need to alter the terms of their charity to incorporate this option.

7) It was suggested Motability could use the years ahead of stock reassessment beginning to investigate implementing the technology required to administer direct payments from claimants i.e. where an individual received standard rate and wished to pay the difference themselves. Michelle/Nada, please can you pick this up in your discussions with Motability.

8) Motability inquired as to how the costs would be spread over the 5 years. DWP confirmed that this was transitional protection and therefore it was not planned that this money would be used to provide support beyond October 2015 when stock reassessment is scheduled to start.

| Assistant Private Secretary to the Minister for Disabled People |
People

All,

Ellie - thanks for getting this out more quickly than I could! A couple of additions from me, and a record the actions and steers from pre-meeting.

Pre-meeting actions

- Ministers have asked to see the deed governing the relationship between Motability, Motability Operations and the shareholders. Stephen - thanks for the quick digging on this yesterday. When you get an electronic copy, please send up along with a commentary explaining the detail?
- Ministers are keen to understand the financial and non-financial benefits that arise from being a Motability shareholder. In particular, MiDP asked whether the banks retain the interest that accrues on Motability’s reserves. Shaun - can you pull together a short note on this based on what we know from public accounts and the deed? Ellie will advise on timings. SoS suggested that Lord Freud may be able to provide some insight on the relationship between the banks and Motability. Ellie and I will discuss with you on Monday.
- Ministers agreed that where claimants appeal against a decision that they are not entitled to PIP higher rate mobility, cash gifts should not be awarded until a decision on the appeal has been made.
- Romilly - you agreed to update No 10, HMT and special advisers across Whitehall of our on-going negotiations with Motability.

Meeting with Motability

- Motability increased their proposed cash offer from £750 to £1000.
- Motability explained that their transitional support package will be designed to cover the 5 year period, not just up to the independent review. Their planning assumption is that the review might lead to tweaks to policy and implementation, but not major changes. SoS reiterated that the Department’s focus was on period up to the independent review in 15/16, but was content for them to plan for the 5 year period if they felt necessary.
- Lord Sterling repeatedly asserted that neither Government nor Motability should provide Motability losers with the means to buy a car outright. His view was that the transitional support should equip claimants with the information and capital to put a down payment on a second hand car. Our Ministers did not accept this argument - their view is that Motability can afford to do more.
- Ministers are content for DWP officials to work with Motability over the next few weeks on their revised offer.

Happy to discuss
From: Minister for Disabled People
Sent: 26 July 2013 14:01

Subject: Readout: Motability Meeting on Transitional Protection

All,

Last night SoS and MfDP met with Lord Sterling and Declan O'Mahoney from Motability to discuss transitional protection arrangements for those losing PIP higher mobility rate up to 2015/16.

- SoS outlined the Department's proposed package of transitional protection: That users have a choice between a £3,000 cash payment to help towards purchase of a second hand car, or the option to keep their current Motability car until the end of its lease.

- Motability felt their current offer was generous and had tested well with stakeholders. They also outlined their opposition to front loading support and indicated that they would prefer any protection package to be spread over 5 years. Ministers explained that the first numbers of those going through reassessment would require the most support, particularly as there may be changes to PIP following the independent reviews. Ministers outlined that the current Motability offer would not be sufficient enough for a user to buy a second hand car.

- Motability explained that they could not afford to take a large shock to their reserves without risking their credit rating being downgraded. Ministers outlined the uniquely secure position Motability are in, given their guaranteed funding stream from Government and the lack of competitors in the market. Motability were concerned that ratings agencies would not understand this position - Ministers offered to meet with ratings agencies to explain and assure them of Government's commitment to continue this funding.

- Motability offered to re-assess their offer to claimants and return in the second week of August. MfDP will write to Declan to outline the offer the Department is expecting (with users having a choice) and confirming that we
expect to hear their offer in mid-August. Michelle, Stephen - we discussed and you will send a draft letter up for 16.30 on Monday.

Thanks & happy to discuss.
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
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
Michelle, Louise, Nada,

As you know, SoS spoke to Lord Sterling on Wednesday about the Motability transitional support package. Lord Sterling made clear that Motability were unwilling to increase the cash lump sum for losers who joined the scheme before Jan 2013. He did however moot the possibility of increasing the lump sum for users who joined after Jan 2013 from £750 to £1000. He also said that they were working closely with a group of insurers to ensure that former Motability users are not unfairly treated by insurers due to their disability or association with Motability.

I spoke to Lord Sterling on Thursday; he was concerned that there may have been some misunderstandings on the call because of a bad telephone line. He said that the value of the package was £2,280 not £2000, as we should take into account Motability's 4 week run on. He'd briefed Liam Byrne and Anne McGuire that morning and they were very impressed by the package.

I reiterated that Ministers were focused on the lump sum, were very disappointed that there was no movement, and would rather additional cash be allocated to losers who joined before Jan 13. When pressed, I tentatively suggested that Ministers may be willing to compromise somewhere in the middle of £2000 - £3000. Lord Sterling again made clear that Motability weren't prepared to do that.

Secretary of State and Minister for Disabled People are very disappointed by this outcome. SoS was very frustrated that Lord Sterling was unwilling to continue to negotiate. Motability will provide a note on the agreement they reach with insurers (Lord S said within 24 hours but we haven't received it yet). SoS wants to consider that note before taking any further action in relation to transitional support.
Dear Lord Sterling,

It was good to meet you again on 20 October following our earlier meeting in June.

As I told you, DWP has a challenging savings target over the next three years. As a result, we are starting to assess all of our spending, including the Specialised Vehicles Fund (SVF), which is currently funded through an annual grant of £18 million from DWP.

In particular, we are reviewing whether the SVF remains the most appropriate way to support the mobility needs of the most severely disabled people and whether the SVF should continue in its current or a new form. This could include changes to the scope of the SVF or the level and nature of funding. Any changes could also take effect at relatively short notice.

As Motability administer the SVF on behalf of DWP, we would welcome your views on the SVF, and its relationship with Motability’s support for those with the most severe disabilities more generally.

If we were to make any changes, we would, of course, conduct an Equality Analysis before making any decision if there were any potential adverse impacts on disabled people or particular groups of disabled people,

Yours sincerely,

Justin Tomlinson MP
Minister for Disabled People
Dear [Name],

Thank you for our meeting on 15 September. It was valuable to hear about Motability’s work for disabled people, now, in the future, and over the last 40 years.

We are keen to ensure disabled people are receiving the best offer possible, maximizing the resources available to secure the best outcomes for them. We hope our five-decade-long working relationship should help us both achieve this.

To that end, we remain interested in learning more about how the scheme works. We understand our officials are working with your charity on a paper covering areas of mutual interest; as discussed at the meeting, it would be helpful if we could see the contract between your charity and Motability Operations, to better understand the relationship between them. You mentioned in the meeting that you may need consent from Motability Operations’ shareholders to do this, so please make our officials aware if you have any problems obtaining this.

Finally, we would like to thank you for your offer to attend one of Motability’s board meetings. We are aware that your charity has already been in touch about this. Please contact the office of Penny Mordaunt who would like to take up this offer and is looking forward to meeting your Trustees and learning more about the scheme.

Yours,

[Signature]

The Rt Hon Damian Green MP
Secretary of State for Work and Pensions

Penny Mordaunt MP
Minister for Disabled People, Work & Health
Dear Lord Sterling,

We are due to meet on Tuesday; I look forward to a discussion about the Motability scheme and how we can both work together to support disabled people's mobility. However, before we meet I would like to make an ask of you in relation to one issue I am keen to discuss, which I alluded to at Monday's Select Committee hearing in response to a question about those losing their cars following reassessment for PIP.

Whilst I believe the replacement of DLA with PIP is absolutely the right thing to do, I would like to be able to do more to help those who lose their Motability cars, particularly those who lose them pending appeal. You have already done a significant amount in this area through your transitional support package, which is much appreciated. As you know, DWP is also currently looking at operational measures to reduce the numbers who have their decision overturned at appeal.

However I believe that there is more we could both do. We are discussing with the relevant departments ways to enable PIP claimants to keep their vehicle pending appeal and then exploring potential options to allow those who are not in receipt of the higher rate of the mobility component to have access to the scheme. I am also exploring how claimants who are out of the country for extended periods, for example claimants studying abroad, can be better supported.

I am asking you to work together with my Department on implementing solutions to these issues, and will be able to share more detail with you shortly, once the costs and benefits of the available options have been fully identified. I am also aware that there may be a number of potential tax issues here, depending on which options are pursued, that we will need to work to address.

I welcome your support on this and very much look forward to discussing with you further next week.

Yours,

Penny Mordaunt MP
Minister for Disabled People, Health & Work
All,

MfDP met with Lord Sterling this morning to discuss potential changes to the Motability scheme. A brief summary of the meeting and action points can be found below:

**Under 3s**
- Lord Sterling is ‘strongly supportive’ of opening the scheme up to under 3s.
- Would like the Family Fund to find the children who would be supported by this. Stated that he would look at how the Tenth Anniversary Fund could help pay for this.

**Allowing students to keep cars abroad**
- Lord Sterling supportive of this. His main concern was the identification of these people and being able to prove that they were actually studying abroad (would like DWP to make the final decision)

**Extending the Motability lease pending appeal**
- Now focused on claimants who transition to PIP and move from higher rate DLA mobility to standard rate mobility
- Lord Sterling said this was also possible to do. Wants assurances from HMT that this would not affect their tax exemptions.
- Lord Sterling thought the main issue on this was the length of appeals times – meeting has been set up for next week to discuss.
- Lord Sterling also mentioned that following the meeting with officials last Thursday he is expecting a breakdown of numbers from the Department on those affected. He stated the quicker this could be provided the quicker he will be able to sign off/make a final decision

**PIP rapid reinstatement**
Reliant on a change in DWP process – Lord Sterling said this was something they ‘could handle’.

MfDP stated she would like to make announcements on the above prior to Easter Recess. Lord Sterling was open to this and asked that the announcement be made the week before recess if possible (w/c 27th March) to allow time to hold a Board meeting. He also requested sight of the wording prior to the announcement, MfDP was content with both of his requests (No10 grid allowing).

**Action Points**

- Team to continue working through the detail of the above changes with Motability
- Press Office to work with SpAds & No10 to explore possibility of making an announcement w/c 27th March.

Please do let me know if you have any questions about the above.

Many thanks,
Dear Jeffrey,

Thank you for taking the time to meet me and my colleagues to discuss how we can continue to work together to support disabled people further. I am pleased that we are in agreement on the need for clarity in reaching a firm agreement and implementing these initiatives.

As we discussed, you kindly offered to explore allowing certain Motability Scheme customers who lose their eligibility for the Scheme following DLA-PIP reassessment to retain their cars for longer as part of Motability’s one-off transitional support package.

I am acutely aware of the entirely reasonable concerns that Motability has about the possible tax implications of extending the leases in these circumstances.

HMRC have clarified the position on Motability’s VAT and IPT concessions relating to the extension of their existing leases.

**Entitlement to apply a zero rate of VAT**

Allowing a customer to retain their car for a period of time without consideration following the disallowance of benefit will not be subject to VAT as there is no supply (for VAT purposes) if there is no consideration (i.e., payment). This relates both to customers who have been reduced to the standard rate and nil rate mobility component following DLA-PIP reassessment. Motability will also be able to charge successful applicants for the value of the extended lease without adversely affecting the zero-rating for VAT should the claimant wish to remain on the Motability Scheme on receipt of a qualifying benefit.

**IPT Exemption for Motability’s Block Insurance Policy**

Following the disallowance of benefit, there is no consideration paid for the lease of the vehicle. The IPT exemption for the Motability block insurance policy applies to contracts if the consideration for the letting consists wholly or partly of sums paid to the insured by — (a) the Department of Work and Pensions, (b) taking the lease as a whole lease — having already been funded by DWP on behalf of the customer, or (c) the consideration for the letting consists partly of sums paid to Motability by DWP on behalf of the customer. As such, the premium paid for the Motability block insurance policy is not subject to IPT. This relates both to customers who have been reduced
to the standard rate and nil rate mobility component following DLA-PIP reassessment. Motability will also be able to re-charge successful appellants for the value of the extended lease without adversely effecting the IPT exemption should the claimant wish to remain on the Motability Scheme on receipt of a qualifying benefit. Following this advice, HMT Ministers have agreed to allow the Motability Scheme to extend the lease for the proposed 26-week period for those transitioning from DLA-PIP, providing the change is operationalised in a way consistent with VAT and IPT legislation.

For the avoidance of doubt, allowing customers to retain their cars without consideration will not have an adverse effect on the VAT and IPT concessions, including the subsequent sale of the vehicle, which the Motability Scheme currently receives.

Also, standard rate customers would be eligible for a 50% reduction in road tax. Thank you again for your continuing positive engagement with the Department and the pace at which you have been able to respond.

Penny Mordaunt MP
Minister for Disabled People, Health and Work
I would like to thank you for your hospitality at Motability's 40th Anniversary event. I was
honoured to attend and to recognize the tireless work that Motability has done over the last
40 years in supporting the mobility of disabled people. This is a real achievement that should
be rightly celebrated.

I am pleased to return to Minister for Disabled People and to have the opportunity to
continue to work with you in our shared goal to support disabled people. I would, therefore,
also like to take this opportunity to thank you again for all work that you did on keeping our
pension appeal. This has made such a difference to so many people already, and is an
initiative that we can both be proud of.

As you know I feel strongly about provision for Under 3s with severe mobility needs, who are
not eligible for the mobility component of DLA. This is a group of disabled children that I
have long wanted to help, and, as we have agreed in previous conversations, Motability is
also keen to support in a tangible way.

I had hoped to make an announcement on the agreed provision for Under 3s prior to the
election, but I appreciate that progress on this project was delayed by preparations for your
40th Anniversary at Windsor Castle and your discussion with the Family Fund.

We are keen to announce our intention to work together in collaboration with the Family
Fund to help severely disabled children at the earliest convenience and look forward to
having the project in place before the end of the year.

I understand that the provision is not administratively straightforward, as there are some
subtle differences from your usual scheme provision, and that your Governors would prefer
to initiate a pilot scheme in order to develop the scheme more fully before full
implementation. I also recognise that there remain some details that Motability needs to
give approval to with the Family Fund, especially concerning the amount of funding that the Family
Fund would require in order to administer the scheme, details of which are still to be
finalized. My understanding is that you have already been in discussions with your
governors, and are prepared to work with Motability to agree a suitable level of funding
and to deliver the scheme in partnership with Motability.

The question of the Ten Anniversary Trust providing grant funding is something that we have discussed previously, and I trust that these can be
resolved swiftly.
In view of these considerations, I would like to announce that we will be running a "test and learn" pilot with a view to implementing the scheme fully later in the year. To that end, I am keen to secure a grid slot before Parliament rises for Summer Recess.

I am more than happy to meet with you in order to discuss this issue, as it is one of my priorities.

Penny Mordaunt MP
Minister for Disabled People, Health & Work
Afternoon Beatrice,

Thanks for supporting Penny during her meeting with lord Sterling yesterday. Please find a brief summary of the meeting and the actions:

- Lord Sterling ran Penny through a myriad of his thoughts and concerns, including use of language like poverty and austerity, "mental" and its negative connotations, the decline from SoS to a meeting, people playing the system, the risk of Mota and DWP encouraging claimants to spend their money on luxuries rather than necessities, and the potential build-up of tribunal cases negating the positive impact of last terms announcement on keeping vehicles pending appeals. He informed her they are doing a lot of work on expanding the service to include any claimant who receives any mobility components. He expressed great concern that she had misspoken in her Brexit debate last week and misled people by indicating that the rapid re-claim work was in relation to Motability (NB. I have since checked Hansard and shared with Penny – I advise we take no action, she does go on to say the issue was an admin one on behalf of DWP and so I don’t think this is “misleading Parliament). 

- They then briefly discussed expanding the service to families of children under 3. Lord Sterling assured her that Motability was committed and were being held up by the Family Fund. He did not want an announcement and would rather just conduct a low key pilot to test the expansion. Penny however insisted she be able to tell the Disability Charities Consortium of the work on Monday next week – he agreed provided the lines were vague and did not commit to specific action.

- Since the meeting we have developed a line following the indication that David Linden (SNP) was likely to call for this expansion at Business Questions today, so no further action is required.

Cheers
I am writing regarding the highly successful extension to Motability’s Transitional Support Package introduced last April that allowed those customers who lose eligibility for the Scheme following DLA-PIP reassessment to retain their cars for 26 weeks after DLA payments ceased.

I have been informed that Motability raised some concerns regarding the 26-week period that was stipulated in the letter sent by my predecessor, which clarified Motability’s VAT and IPT concessions in relation to the aforementioned lease extension.

I understand that this has been highlighted as a problem in cases where the customer’s appeal takes longer than the allowed lease period. Officials have again approached HMRC for further clarification on this issue.

Entitlement to apply a zero rate of VAT
Allowing a customer to retain their car for a period of time without consideration following the disallowance of benefit will not be subject to VAT as there is no supply (for VAT purposes) if there is no consideration (i.e., payment). This relates both to customers who have been reduced to the standard rate and nil rate mobility component following DLA-PIP reassessment. Motability will also be able to re-charge successful
appellants for the value of the extended lease without adversely effecting the concession should the claimant wish to re-join the Motability Scheme on receipt of a qualifying benefit.

**IPT Exemption for Motability’s Block Insurance Policy**

Following the disallowance of benefit there is no consideration paid for the lease of the vehicle. The IPT exemption applies to contracts "if the consideration for the letting consists wholly or partly of sums paid to the insured by— [(a) the Department of Work and Pensions]". Taking the lease as a whole, the consideration for the letting consists “partly” of sums paid to Motability by DWP. As such, the extended lease – having already been funded by DWP – is not subject to IPT. This relates both to customers who have been reduced to the standard rate and nil rate mobility component following DLA-PIP reassessment. Motability will also be able to re-charge successful appellants for the value of the extended lease without adversely effecting the concession should the claimant wish to re-join the Motability Scheme on receipt of a qualifying benefit.

HMRC has confirmed it has no issue with the agreement that those customers transitioning from DLA-PIP who lose eligibility for the Motability Scheme may have their lease extended beyond the proposed 26-week period, provided that the period that these customers wait for an appeal extends beyond this timescale. This exception is again contingent on the change being operationalized in a way consistent with VAT and IPT legislation and in line with the conditions set out above.

For the avoidance of doubt, allowing customers to retain their cars as a charitable act will not have an adverse effect on the VAT and IPT concessions, including the subsequent sale of the vehicle, which the Motability Scheme currently receives.

I hope that this helps to reassure you on the matter.

Yours sincerely,

Sarah Newton MP
Minister for Disabled People, Health and Work
Hi Lisa and Beatrice,

Thank you for supporting the Minister at her meeting with Lord Sterling & Declan O’Mahony. Please see a brief summary and ensuing actions below:

- Motability advised that they wouldn’t take a car away from an individual when a tribunal date is set. MfDP was reassured to hear this and advised that the department is trying to limit the amount of claims that end up going to appeal.

- Motability are keen for HMCTs to prioritise tribunal cases when there is a Motability car in jeopardy. DWP have explored this option before, but are not allowed to be seen as prioritising a set of individuals over the other. MfDP will pick this up at her meeting with MoJ Minister along with a discussion around system delays.

- Motability raised a case where an individual had received £63,000 in one year from AtW for cabs to work. MfDP was shocked and asked Lord Sterling to share these cases with officials as she is keen to look at the AtW budget.

- MfDP agreed to a car handover in her constituency, Motability are pleased and will be in touch to arrange.

- Lord Sterling advised that he was interested in the Mental Health Green Paper and wanted confirmation that this fell within the Minister’s remit. He wants to set up a meeting with the Minister and some of his colleagues: Professor Vivian Hill and Dame Louise Casey.

- Lord Sterling is interested in autism and learning disabilities, MfDP advised that there is an Autism Bill and that all head teachers have been trained in learning disabilities and health. She agreed to facilitate a meeting between Lord Sterling and DfE Minister.

**AP: Lisa: to draft a letter to DfE Minister**

- In 3 years’ time, there will be 300 million Motability cars on the road for those with mental ill health. Motability are already feeling the pressure that this increase is causing for their work force (especially telephony agents).
- Motability are using trackers on cars where they feel the use of it is being abused by carers where the customer is living in a care home. In cases where this has been proven, they have informed the carers employer and they have been dismissed.

- MfDP reiterated the importance on community transport in rural areas and community transport schemes to overcome work barriers. She is keen to utilise Motability’s stock of vehicles. Motability agreed to work with the department to take this forward.

AP: Lisa: to confirm this agreement and begin conversations

- Lord Sterling advised that Motability is awaiting confirmation about what the Department intends to do about taking back funding for Drive from Wheelchair vehicles. Lisa confirmed that this is something that the Department is in discussion about, but is awaiting input from Finance and HMT.

- MfDP agreed to have breakfast with Lord Sterling at the RAC club.

AP: Leah: to arrange with Lord Sterling’s PA.

As always, happy to discuss

Many thanks