



Department
for Work &
Pensions

The Rt Hon ESTHER MCVEY MP
Secretary of State for Work & Pensions

20th July 2018

Rt Hon Frank Field MP
Chair, Work and Pensions Committee
Rt Hon Nicky Morgan MP
Chair, Treasury Committee

Dear Chairs,

MOTABILITY INQUIRY

I would like to thank the Work and Pensions Committee and Treasury Committee for their report. The evidence session and the findings in the report provide valuable insight into the history and the current operation of the Motability scheme.

This Government is committed to ensuring that disabled people's right to live independent lives is fulfilled. Integral to this vision is access to mobility support. This is to further help those with the greatest needs to achieve their full potential in society.

In-line with the views expressed by the Committees in the report, I agree that the Motability scheme has a long and distinguished history, providing an invaluable service. However, wider questions have been raised about whether the levels of executive remuneration are fair and the reserves justified. In light of those concerns it is right that the Government takes steps to provide clarity where needed. That is why I asked the National Audit Office (NAO) to look into the Motability scheme and I am grateful to the Committees for supporting this aim and to Motability for agreeing to the value for money study.

I, along with my team, worked with Motability to secure an agreement under section 6(3)d of the National Audit Act 1983 which means the NAO can now scrutinise the accounts of all the Motability organisations. I am pleased that the Comptroller and Auditor General is satisfied that the final agreement between the Government and the Motability parties will give him and his officials' access to all the information and papers they require.

This study will provide us with further detail on how the Motability scheme operates, as well as answering important questions around: whether those who elect to join the scheme are receiving value for money and the best service possible; and whether, in light particularly of the favourable tax treatment, the scheme represents good value for taxpayers.

In response to the Committees' findings I would like to provide some clarification on the following points:

- The Department for Work and Pensions Regulations and the Ministry of Defence Regulations for Armed Forces Independence Payments dealing with claims and payments for the qualifying benefits¹ refer to Motability, the charity, not Motability Operations. They authorise the Secretary of State for Work and Pensions to arrange that a qualifying mobility allowance be paid in whole or in part in settlement of liabilities of a claimant arising from an agreement for hire or hire-purchase of a vehicle that the claimant has entered into "under arrangements made or negotiated by [Motability, the charity]". These provisions presently only permit the Department directly to transfer mobility allowance to Motability Operations because they are Motability's chosen operator of the Motability scheme. War Pensions Mobility Supplement is transferred under a different set of regulations².
- Any supplier that meets the conditions set out in the VAT Act 1994, can zero rate their supplies to disabled people. One of the conditions of the zero rate is that the vehicle must be paid for out of a mobility allowance which is transferred directly from the Department for Work and Pensions to the supplier.
- If Motability, the charity, were to make arrangements with companies other than Motability Operations then, in principle, those companies could receive direct transfers of qualifying mobility allowances under the regulations described above and benefit from the VAT and Insurance Premium Tax (IPT) reliefs which Motability Operations enjoy (providing that the other criteria for these reliefs are met). HM Revenue and Customs are responsible for the administration of the tax system, and undertake the steps necessary in order to ascertain whether a supplier meets the required conditions for zero rating.
- The VAT and IPT reliefs were introduced to benefit disabled persons with mobility difficulties. VAT zero rates are designed to benefit the final consumer and this relief therefore makes it cheaper for disabled people to access leases of cars with their mobility allowance. It will be for the NAO to determine whether the arrangements in place represent an efficient and effective use of public money; and whether they are continuing to deliver the intended objective.

The Motability scheme was set up with the best of intentions to support the mobility needs of disabled people. The scheme currently has a significant impact on the lives of over 627,000 people and the Department will continue to work alongside Motability to, where opportunities become available, extend the support provided.

¹ Regulation 44 of the Social Security (Claims and Payment) Regulations 1987 (SI/1987/1968) (DLA); regulation 62 of the Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Claims and Payments) Regulations 2013 (SI/2013/380) (PIP); regulation 24D of the Armed Forces and Reserve Forces (Compensation Scheme) Order 2011 (SI 2011/517) (AFIP).

² Article 49 of The Naval, Military and Air Forces Etc. (Disablement and Death) Service Pensions Order (SPO)2006 in force from 6 April 2015.

In the meantime, I look forward to the findings of the NAO and hope it will provide the Government with an improved understanding so that we can continue working to ensure that disabled people are provided with the best support to continue to live independently and fulfil their potential.

A handwritten signature in black ink, appearing to read 'Esther McVey', with a long, sweeping underline that extends to the right.

The Rt Hon Esther McVey MP
SECRETARY OF STATE FOR WORK AND PENSIONS