

15 February 2018

Rt Hon Esther McVey, MP  
Secretary of State for Work and Pensions  
Department for Work and Pensions  
Caxton House  
Tothill Street  
London  
SW1H 9NA

*Dear Secretary of State*

**Comments on the exchanges in Parliament following the Urgent Question raised by John Mann MP regarding Motability on 8 February 2018**

In your remarks in Parliament last Thursday, you stated, with reference to the Motability Scheme generally, that “what was deemed correct in the 1970s is not necessarily correct by today’s standards”. **I could not agree more.**

As you are aware, Motability (the **Charity**) was founded as a national charity by the late Lord Goodman and myself in 1977, to help those disabled people who choose to join the Motability Scheme (the **Scheme**) to become mobile. From the outset the Charity was founded with all-party support, and this is reflected in our Senior Patrons to this very day.

**The guiding principles of the Motability Scheme have always been to provide the highest standard of customer service, the best possible value for money and financial sustainability for the long term.**

The Charity was granted a Royal Charter on 27 April 1988 under which the Charity's object is:

*"to facilitate the relief and assistance of disabled persons (... "the beneficiaries") in connection with the provision to the beneficiaries of personal or other transportation"*

In exercising its functions under the Royal Charter, the Charity has responsibility for oversight of the Scheme, which is delivered on the ground by a separate entity, Motability Operations Group plc (the **Company**), under contract.

The capacity to adapt and innovate has always been part of our DNA. The Scheme has progressed from delivering its first City Mini in 1978 to having provided over 4.5 million vehicles, helping transform the lives of millions of disabled people and their families.

Today it has some 630,000 cars on the road, and disabled people can choose from over 2,500 models. This mobility package includes: the reliability of a new car, including appropriate adaptations if required; comprehensive insurance; full maintenance and servicing; and a mileage allowance of 60,000 miles. A key element is the special breakdown cover, within 40 minutes, provided by the RAC; with suitable replacement vehicles including adaptations and conversions being provided if a customer's vehicle is off the road.

## **Setting the record straight**

Against that background, you will not be surprised that we found the litany of inaccuracies in the exchanges in Parliament last Thursday deeply troubling. The Urgent Question raised by John Mann, MP, no doubt prompted by the earlier article in the *Daily Mail*, was in itself perfectly reasonable. However, because so many of the statements that

followed in the Parliamentary exchanges were, quite simply, untrue, the debate as a whole was deeply flawed and misleading.

Public accountability and transparency have always been taken as a given by the Charity and we welcome an update to NAO's previous reviews, as we did when the Charity Commission undertook its full review last year. In fact, from the very beginning, officials from the DWP (and its predecessor departments including the Department for Health) joined our meetings and have always had an open invitation to the Charity's quarterly Board meetings. It has proven to be extremely helpful to have the opportunity to discuss matters relating to the Scheme or otherwise of mutual interest. We have always had an excellent working relationship with the DWP.

However, the Scheme is of such importance to disabled people that it is essential that any discussion about it is based on a secure foundation of fact.

Therefore, on behalf of my fellow Governors and myself, I am now providing the facts, in the hope that we can enable a clearer and better informed discussion from this point on.

A number of the inaccuracies relate to Motability Operations Group plc, the commercial company which delivers the Motability Scheme on the ground, under contract to Motability. Its Chairman, Neil Johnson, has written separately to you. We thought it would be helpful to you to see the two together.

The incorrect statements that relate to Motability the charity are set out below, as reported in *Hansard* on Thursday 8 February 2018.

The true facts have always been readily available from the Annual Reports and Accounts of both the Charity and the Company. It is therefore deeply regrettable to observe that **every single one of the statements I quote below from the exchanges in Parliament was incorrect.**

1. "... this registered charity [...] is funded by the taxpayer through a direct grant from Government" (John Mann MP)

**INCORRECT:** the charity does not receive any funding from Government.

2. "... this registered charity [...] is carrying cash reserves of £2.4 billion" (John Mann MP)

**TRIPLY INCORRECT:** (i) the Charity does not hold the Scheme reserves: they are held by the Company, Motability Operations Group plc; (ii) they are not held as cash; and (iii) they are not held as idle cash, but are for the most part invested in the Company's fleet of nearly 630,000 vehicles.

The reserves are therefore not freely distributable. As noted by the Charity Commission in its letter closing the review,

*"The capital reserves are presently in line with its target position and Motability and Motability Operations maintain a constant dialogue covering financial projections and the appropriate levels of capital being maintained [...]"*

*"There is therefore no concern that the restricted reserves accumulated are unnecessary or are retained without justification. [...]"*

Following the exchanges in Parliament last week, the Commission issued a press release, which is on their website, which included the statement:

*"We also made clear, following the conclusion of our review last year, that we consider the level of operating capital held by the company in order to guarantee the scheme to be cautious, and agreed with the charity, as part of its oversight of the scheme, that it would ensure this this matter is kept under continuous review."*

3. "... the charity has been underspending its budget by £200 million a year" (John Mann MP)

**DOUBLY INCORRECT.** This figure (i) relates to Motability Operations Group plc, not the charity; and (ii) is post-tax profit, all of which is retained for the benefit of disabled people who participate (or have participated) in the Scheme.

4. "... this charity is paying its chief executive £1.7 million a year" (John Mann MP)

**INCORRECT:** the sum in question is the remuneration of the Chief Executive of Motability Operations Group plc.

5. "*Motability Operations Ltd [is] paid about £2 billion a year directly by the Department of Work and Pensions*" (Margaret Greenwood MP)

**INCORRECT:** this wrongly implies that the Company is funded from the public purse. In fact, the money belongs to recipients of mobility allowances who voluntarily choose to apply them to lease a car under the Scheme. For a statement of the correct position, we refer you to the statement made by the former Parliamentary Under-Secretary of State for Disabled People, Justin Tomlinson, MP, who said:

*"The Department works closely with Motability and facilitates the transfer of benefit to Motability on behalf of those claimants who have chosen to join the Motability Scheme. The Scheme purchases vehicles which are then leased to Scheme customers. The purchase of the vehicles is funded by the Scheme and there is no cost to the public purse."*  
(Hansard – Motability: answer to Written question – 10579)

6. “... *the taxpayer is guaranteeing the scheme*” (John Mann MP)

**INCORRECT:** no such guarantee exists.

7. “... *the trustees need to be held to account*” (The Rt Hon Esther McVey MP) for the loss of vehicles resulting from PIP assessments (Secretary of State, you appeared to agree that the charity is responsible for the loss of a car following a PIP assessment)

**INCORRECT:** PIP eligibility assessments are the direct responsibility of your own Department. The Charity's trustees play no role in the matter. To avoid any further confusion, nobody at either the Charity or the Company has any role whatsoever in PIP eligibility assessments.

8. “*when personally I looked into it in 2013, I ensured that Motability paid £175 million more to disabled people*” (The Rt Hon Esther McVey MP)

**INCORRECT:** as shown by minutes of their meetings in 2012, the Charity's trustees felt a moral obligation to help people at risk of losing cars due to Government policy changes, and had already by December 2012, of their own volition, with the total support of the Company's Board, decided to provide a package of significant financial support and other assistance, with the help of donations from the Company, to enable those losing cars as a result of these changes to continue to be mobile.

Since then, working closely with the Company, we are managing the loss of customers from the Scheme (up to 75,000 to date) who have lost eligibility due to the transition from Disability living Allowance (DLA) to Personal Independence Payments (PIP). These customers need an exceptional level of empathy and support, as they are in many cases confused, distressed and even suicidal, as they worry about losing their mobility.

Over the next two to three years the Charity, working with the Company and the Department for Work and Pensions (DWP), will also be looking to find a way of helping up to 250,000 disabled people with mental health conditions and learning difficulties who wish to join the Scheme and who will undoubtedly need particularly sensitive service and support.

9. *"After direction from the Department, the charity is now piloting a Motability scheme to help children under the age of three ..."* (The Rt Hon Esther McVey MP)

**DOUBLY INCORRECT:** the pilot scheme to help families with disabled children under the age of three is *not* being piloted by the Charity, and there was no "direction" from the Department. It is being piloted by Motability Operations Group plc following discussions between the Charity, the Department, an independent third party charity (Family Fund) and Motability Operations Group plc, after the former Minister for Disabled People, Penny Mordaunt, MP, asked whether there was anything the Charity could do to help.

10. *"... when we have got the money back that we believe we should be getting back from Motability ..."* (The Rt Hon Esther McVey MP), clearly implying that the Government can require money to be repaid.

**INCORRECT:** there is no basis on which the Government can demand any money to be handed over.

As we state above, the Charity embraces public accountability and transparency. That is why we feel so strongly about establishing the facts.

Further relevant information appears at the end of this letter. You will know much of it of course, but it is in the public interest for the true facts to be known.

Secretary of State, may I finish the way I started; Motability will continue to adhere to the guiding principles of the Motability Scheme which are:

- to provide the highest standard of customer service;
- the best possible value for money; and
- financial sustainability for the long term.

For over forty years, the Scheme has provided a 'Road to Freedom' for millions of disabled people and their families, and our only interest is for us all to continue to do so together.

Sincerely  
Stuart J. Plaites

cc Neil Johnson OBE, Chairman, Motability Operations Group plc  
Peter Schofield CB, Permanent Secretary, DWP  
The Rt Hon Frank Field MP DL, Chair of DWP Select Committee  
The Rt Hon Nicky Morgan MP, Chair of Treasury Select Committee

For the sake of good order, since the statements quoted above are in *Hansard*, copies of both the Charity and Company letters will be placed in the Libraries of both Houses, and into the wider public domain. We will be making copies available to everyone to whom these matters are important, and in particular to those listed above.



## **Further information relevant to the issues raised in the Parliamentary questions on Thursday 8<sup>th</sup> February 2018**

### **Background**

Motability is a national charity, incorporated by Royal Charter on 27 April 1988 (the **Charity**), set up in 1977, to assist disabled people with their mobility needs.

Under the Royal Charter, the Charity's object is:

*"to facilitate the relief and assistance of disabled persons (... "the beneficiaries") in connection with the provision to the beneficiaries of personal or other transportation"*

In exercising its functions under its Royal Charter, the Charity oversees the Motability Scheme – with its prime purpose being to ensure that those disabled people who want to use their mobility allowance to obtain a vehicle, scooter or powered wheelchair on the Motability Scheme always receive the best possible service and value for money.

From its founding with all-party support in 1977, the guiding principles of the Motability Scheme have always been to provide the highest standard of customer service, the best possible value for money and financial sustainability for the long term.

### **Structure**

**Motability Scheme (the Scheme)** – the Scheme provides customers (who are recipients of the Higher Rate Mobility Component of the Disability Living Allowance (**DLA**), the Enhanced Rate of the Mobility Component of the Personal Independence Payment (**PIP**)) with “worry-free” mobility by way of a contract hire lease.

**Motability (the Charity)** – in exercising its functions under its Royal Charter, the Charity oversees the Scheme, with the prime objective of ensuring that those disabled people who want to do so can use their mobility allowance to obtain a vehicle, scooter or powered wheelchair on

the Scheme. The Charity contracts with Motability Operations Group plc to deliver the Scheme.

**Motability Operations Group plc (the Company)** – the Company delivers the Scheme on the ground under a service contract with the Charity, and assumes the commercial risk of running the operating the Scheme.

The Company is not (as one of the speakers in the Parliamentary exchanges implied) a subsidiary of the Charity. The relationship between the two organisations is governed by contract.

Neither the Charity nor the Company is part of Government. Neither of them is sponsored or regulated by the Department for Work and Pensions. The Company is regulated (for the purposes of its consumer credit business) by the Financial Conduct Authority and the Charity is not a 'controller' of the Company or any of its subsidiaries.

## **The Charity**

The Charity's object, as set out in its Royal Charter, is to facilitate the relief and assistance of disabled persons in connection with the provision to them of personal or other transportation. It achieves this by:

- helping disabled people with their personal mobility;
- overseeing the Scheme (which the Board of Governors does with the support of the Scheme Oversight Committee, whose members are selected on the basis of industry experience);
- providing financial help to those customers whose mobility allowance does not cover the cost of their Scheme vehicle or adaptations;
- giving additional support and grants to the most severely disabled people who need some extra help towards the cost of a specialised vehicle or adaptations.

In exercising oversight over the Scheme, the Charity always has uppermost in mind the interests of its beneficiaries, disabled people: in particular the 630,000 customers of the Company on the Scheme, but also disabled people who could be (but are not yet) customers, and disabled people who are no longer eligible to join the Scheme.

The charity has a particular desire to support customers who cannot renew their lease with the Company because of a discontinuation of Government funding (where changes to Government policy are resulting in the loss of eligibility to mobility benefits).

In 2017 the Charity also helped 8,502 disabled people and their families with grants towards Advance Payments for cars, wheelchair accessible vehicles (WAVs), driving lessons and adaptations.

### **Funding of the Charity**

The Charity receives no funding from Government.

The Charity's total income varies from year to year but the vast majority of its funding comes from the Company. In 2017 the Charity's income (excluding donations to fund PIP transitional support) increased by £10,359,000 to £48,961,000 (2016: £7,302,000 to £38,602,000). The increase is due to the receipt of a donation of £30,000,000 from the Company.

The way the Scheme is funded is addressed in further detail in the accompanying letter from the Company's Chairman.

There is no taxpayer guarantee of the Scheme.

### **VAT exemption**

The Government granted VAT exemption for the Scheme in the 1980s to enable an affordable package to be created to support disabled people, as part of a wider set of VAT concessions to disabled people generally.

The benefit of the VAT exemption goes straight to customers in lower pricing. The Scheme offers a leasing package that is more than 40% cheaper than comparable market offerings. Excluding the benefit of the VAT exemption, the Scheme is still more than 25% cheaper than comparable offerings in the wider market, reflecting the purchasing power and efficiency in delivering the Scheme.

### **The Company's capital structure**

This is addressed in the accompanying letter from the Chairman of the Company.

In its oversight role, the Charity is concerned to ensure that the Scheme continues to provide the highest standard of customer satisfaction, the best possible value for money and financial sustainability for the long term.

The financial management of the Company is therefore a matter of considerable interest to the Charity, to ensure that these objectives, and the performance obligations under the service contract, can continue to be met.

The Charity recognises that the detailed decisions relating to the financial management of the Company are a matter for the Company, but maintains a regular dialogue with the Company on the level of reserves.

### **Responsibility for disability benefits**

In the questions raised in Parliament, Margaret Greenwood, MP, stated that "51,000 [disabled people] according to Motability's own figures, lost access to the Scheme last year after being reassessed for PIP". The Secretary of State said that "if we could widen the scheme by allowing the money held in reserve to go to those disabled people, surely that would be right", and agreed that "the trustees need to be held to account" for the loss of vehicles resulting from PIP assessments.

These comments imply that the Charity and/or the Company is or are in some way responsible when an individual sadly loses their car following a PIP assessment. This is completely incorrect. Decisions on PIP assessments are those of Government, and specifically of the Department for Work and Pensions.

### **PIP transitional support**

In the exchanges in Parliament it was suggested that the Secretary of State, in her former capacity as Minister for the Disabled, "ensured" that Motability paid £175 million more to disabled people.

As early as 2012 the Governors of the Charity recognised a moral obligation to find a way of helping those people who were losing access to the Scheme to remain mobile. The Charity's Chairman corresponded with the then Secretary of State in November 2012 and subsequently, explaining that the Governors of the Charity had (in fact in June 2012) *already* begun considering how to help customers resulting from the change from DLA to PIP (the biggest change in Government policy to affect the Scheme since 1977). The minutes of the Governors' December 2012 meeting show that the Charity had by then decided, of its own volition, and with the Company's full support, to provide a package of significant financial support and other assistance to those losing cars as a result of DWP changes. This has proven to be invaluable, enabling most of these disabled people to retain some level of independent mobility.

The details of the transitional support package were refined during 2013, based both on revised projections discussed with DWP officials (with whom the Charity has an excellent working relationship), and on further customer research. Taking account of the fact that the transition would run for at least 5 years, a commitment was made at that time to providing up to £0.5 billion, if needed, over the full period.

The Charity also made clear at the time that it would provide support to disabled people losing cars over the full period of the DWP's reassessments, and that it did not accept the Minister's suggestion that support be focused on the initial phase of reassessments up to 2015/16.

## **The role of the banks**

This is addressed in detail in the letter from the Chairman of the Company.

## **Evolution of the Scheme – management of risk**

As noted at the beginning of this letter, the Scheme has evolved very significantly from its inception in the late 1970s. It has provided over 4.5 million cars to disabled people, has 630,000 cars on the road, and disabled people can choose from over 2,500 models, all including insurance, maintenance etc, and supported by an exceptional level of customer service.

This evolution has been the product of a series of responses to many changes, both in the market in which the Scheme operates, and resulting from changes in Government policy. Constant adaptation to these changes is vital if the Scheme is to remain sustainable and indeed thrive, ultimately enabling the Charity to provide assistance to those who most need it.

Because these factors impact on the sustainability of the Scheme – and the Company's ability to deliver the guiding principles (the highest standard of customer service, the best possible value for money and financial sustainability for the long term), the Charity's Scheme Oversight Committee monitors these factors on an ongoing basis.