

Motability - 'The Road to Freedom'

Tuesday 6th February 2018

Background on Motability:

Motability was formed as an independent charity in 1977. Since its inception, its guiding principles have been to provide **the highest standard of customer service, the best possible value for money, and financial sustainability for the long term.** Since then, the Motability Scheme has provided over 4.5 million vehicles, providing a 'Road to Freedom' for millions of disabled people and their families.

The Motability charity sets the strategic policies and direction of the Motability Scheme and oversees its performance to ensure that it meets the guiding principles of the Scheme and the **greater service needs** of disabled people. It also gives additional help, support and grants to the most severely disabled people who need some extra help towards the cost of a specialised vehicle or adaptations.

The Motability Scheme, operated by Motability Operations, has provided affordable, worry-free mobility to disabled people for 40 years. It provides over 600,000 vehicles to disabled people across the whole of the UK. From its inception in 1978 as a finance company, Motability Operations (formerly MFL Limited) has evolved to become an independent plc that delivers the Motability Scheme on the ground. Motability Operations is not a charity. Any profits are non-distributable and are retained for the benefit of the Scheme.

The Charity Commission recently undertook a detailed review of Motability and in its statement released today has confirmed that review "*did not identify regulatory concerns about the charity's governance or its relationships with the commercial company*". (See Annex for full Charity Commission statement)

Funding of the Motability Scheme

Motability is categorically not funded by the public purse. Since its formation in 1977 as an independent charity, Motability has provided a 'Road to Freedom' for disabled people and their families, offering them the opportunity to lease a vehicle using their disability allowance if they wish to do so. Around one third of eligible mobility allowance recipients (over 600,000 disabled people) currently choose to spend *their* money leasing a Motability vehicle.

Motability is funded by customers rather than by the public purse - please see the Government statement made in October 2015, by the then Parliamentary Under-Secretary of State for Disabled People, Justin Tomlinson MP, who said: "Motability is an independent registered charity. It is not sponsored by the Department for Work and Pensions. 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."

The Daily Mail claims there is a £2.4bn "*cash stockpile*" or "*spare £2.4bn*". It's quite clear to us that the Daily Mail has totally misunderstood what this £2.4bn of reserves represents. It is not held as cash but is used to buy cars for disabled people. This reduces the amount of borrowing required. It also underpins the Scheme's financial stability, protecting it from the business risks it faces, particularly in relation to used car values. The Charity Commission has today stated "*that we consider the level of operating capital held by the company in order to guarantee the scheme to be cautious*".

Remuneration

The remuneration of Motability Operations' Directors is decided by the Motability Operations' Board, based on the advice of their Remuneration

Committee. Remuneration is reviewed against the market to ensure that it is both competitive over the long term, and to ensure that any rewards are related to performance especially in relation to the quality of service provided to customers.

The current Chief Executive of Motability Operations, Mike Betts, has been in place since 2003 and has been instrumental in ensuring the company is able to operate successfully and effectively in the competitive markets of buying vehicles, selling used cars, procuring motor insurance etc. driving the levels of services required by disabled people and, of course, achieving excellent value for our customers.

Mike Betts has the responsibility to achieve these high levels of customer service, as well as of value for money. As well as employing 900 staff directly in the UK (mainly in Customer Service), Motability Operations trains some 18,000 specialists at over 4,800 car dealerships across the UK, and those involved in insurance, ensuring that the unsung heroes involved in delivering the Scheme supports customers with empathy, expertise and service appropriate to their needs, both initially and during the full three years of their leasing agreement. The Scheme provides the highest possible level of customer service to disabled people – 91-92% of customers consistently renew their lease, plus the Scheme retained an independently measured customer satisfaction level of 98% in 2017, and with the Institute of Customer Service's UK Customer Satisfaction Index (UKCSI) survey recording UK-leading customer satisfaction scores for Motability Operations the highest in the country - above that of John Lewis.

Motability Operations:

- has an annual turnover of £4.2 billion
- manages a fleet of vehicles worth £6.5 billion
- provides over 600,000 vehicles to disabled people across the UK. The Scheme buys and sells over 200,000 cars each year, accounting for close to 10% of the UK new car market and enabling Scheme

customers to benefit from the discounts it can negotiate with motor manufacturers

- ensures that disabled people who wish to use their allowance to lease a vehicle, can do so in the knowledge that they are getting better value for money than they would if they accessed the open market directly themselves; and
- works seamlessly with the Motability charity which oversees the Scheme to ensure that it meets the needs of disabled people.

To reiterate, the Motability Scheme today is run on the same set of guiding principles that were established 40 years ago: to provide **the highest standard of customer service, the best possible value for money, and financial sustainability for the long term**. All of this has provided a 'Road to Freedom' for millions of disabled people and their families, and will continue to do so.

Annex – Charity Commission Statement (6th February 2018)

Motability Operations Group is not a charity and does not come under the Charity Commission's jurisdiction as charity law regulator. The company provides a commercial service to the charity Motability, which in turn oversees the Motability Scheme. As many have stated the Motability Scheme provides an absolutely vital and important service to thousands of people across the UK.

The Charity Commission is aware of the issues reported in the media today and indeed recently undertook a detailed review of the charity's financial accounts and of its relationship with the non-charitable company Motability Operations. That review did not identify regulatory concerns about the charity's governance or its relationship with the commercial company. It is not for the Commission to comment on the pay of the CEO of a large non-charitable commercial company. However, we have made clear to the trustees of the charity Motability that the pay of the CEO of its commercial partner Motability Operations may be considered excessive and may raise reputational issues for the charity. These reputational issues are for the trustees to manage.

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 matter is kept under continuous review.

There is no further role for the Commission as regulator at this time.