

**EXPLANATORY MEMORANDUM TO THE HOUSE OF LORDS SELECT
COMMITTEE ON THE MERITS OF STATUTORY INSTRUMENTS**

**THE ROAD VEHICLES (REGISTRATION AND LICENSING)
(AMENDMENT) (NO. 2) REGULATIONS 2004**

S.I. 2004/1773

1. This explanatory memorandum has been prepared by the Driver and Vehicle Licensing Agency (DVLA) on behalf of the Department for Transport and is laid before Parliament by Command of Her Majesty.

2. Description

2.1. These Regulations amend the Road Vehicles (Registration and Licensing) Regulations 2002 so as to provide for a limited exemption from the requirement to pay a fee of £19 for a replacement vehicle registration document. These Regulations are made under sections 22(1)(h) and (i) and 57(1), (2)(a) and (3)(b) of the Vehicle Excise and Registration Act 1994 and have been laid before both Houses of Parliament in accordance with section 57(7) of that Act and are subject to annulment by resolution of either House.

3. Matters of interest to the Joint Committee on Statutory Instruments

3.1. None.

4. Legislative background

4.1. The Secretary of State (acting through his executive agency, the DVLA) has statutory responsibility under section 21 of the Vehicle Excise and Registration Act 1994 for the registration of mechanically propelled vehicles in the United Kingdom.

4.2. The Road Vehicles (Registration and Licensing) Regulations 2002 (S.I. 2002/2742) provide for the issue of registration documents in respect of registered vehicles. Those Regulations were amended by the Road Vehicles (Registration and Licensing) (Amendment) Regulations 2004 (S.I. 2004/242) so as to require the payment of a fee of £19 where a new registration document is issued to replace one that has been stolen, lost, damaged or destroyed.

4.3. The present Regulations further amend the Road Vehicle (Registration and Licensing) Regulations 2002 so as to provide for an exemption from the fee where the last registration document to be issued for the vehicle has been destroyed in accordance with regulation 20(5) of the 2002 Regulations. The effect of regulation 20(5) is that, on the disposal by an insurer of a vehicle that has sustained damage to its bodywork such that the cost of commercial repair would exceed the value of the vehicle when repaired, the insurer must destroy the registration document. In practice many vehicles written off by

insurers are successfully restored by salvagers who must then apply for the issue of new registration documents in order that they may sell the vehicles.

5. Extent

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1. Not applicable.

7. Policy background

7.1. The DVLA seeks to recover the costs of its operations through fees levied for services. A review of the fee structure highlighted the need for changes to meet the pressure of continually rising costs and led to the imposition of the fee for a replacement registration document (set at £19 to mirror the fee for a replacement driving licence) with effect from 1st March this year.

7.2. A package of changes (including this fee) to vehicle and driver licensing was developed after a general consultation process. The vast majority of consultees were silent on the issue of the introduction of the fee.

7.3. The salvage industry were slow to recognise the impact that the introduction of the fee would have on their members, but DVLA were eventually approached to provide an exemption from the fee where the registration document of a salvaged vehicle had been destroyed by an insurer pursuant to regulation 20(5) of the Road Vehicles (Registration and Licensing) Regulations 2002.

7.4. In accordance with a code of practice agreed between DVLA and insurers, vehicles written off by insurers are categorised by them as Category A (vehicles so badly damaged that they can only be scrapped), Category B (vehicles from which parts can be salvaged) or Category C (vehicles which, though repairable, insurers do not think it economical to repair). Category A and B vehicles should never be returned to the road, but category C vehicles can be. Where a category C vehicle is repaired, a new registration document is not issued to replace the one destroyed by the insurer until the vehicle has successfully undergone a vehicle identity check to prove the it is the vehicle it purports to be.

7.5. The salvage industry claim that the profit margin on category C salvage is already marginal and that any additional costs may jeopardise the industry and possibly put some companies out of business. The Secretary of State recognises that the obligation to destroy registration documents is imposed on insurers in order to prevent unfit vehicles from being put back on the road. He therefore accepts that it would be reasonable to relieve salvagers of the cost of obtaining replacement registration documents where they have legitimately restored vehicles to working use.

8. Impact

- 8.1. A full regulatory impact assessment of the effect of the fee on the costs of business was prepared before the fee was introduced and is available from the Vehicle Policy Group, DVLA, Longview Road, Morriston, Swansea SA6 7JL (copy attached). The present Regulations will not affect anyone adversely and will benefit a number of people.

- 8.2. The business case for the Vehicle Identity Check project estimated 180,000 category C vehicles, would be repaired and returned to the road annually. However, in reality less than 20,000 category C vehicles were repaired and returned to the road in the first year. A more realistic figure is therefore put at 50,000 per annum. The impact on the public sector is the potential loss of £950,000 to the DVLA.

9. Contact

Mrs Suzanne Rees at the Driver and Vehicle Licensing Agency on 01792 765496 or suzanne.rees@dvla.gsi.gov.uk can answer any queries regarding the instrument.

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