

EXPLANATORY MEMORANDUM TO
THE MOTOR VEHICLES (THIRD PARTY RISKS) (AMENDMENT) REGULATIONS
2013

2013 No. 2904

1. This explanatory memorandum has been prepared by the Department for Transport and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The purpose of this instrument is to remove the burden placed on motorists to produce evidence of a valid insurance policy when taxing their vehicle now that insurance is recorded electronically and monitored through the Continuous Insurance Enforcement (CIE) scheme.

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

None

4. Legislative Context

4.1 Regulation 9 of The Motor Vehicles (Third Party Risks) Regulations (1972) (the 1972 Regulations) requires the applicant for a vehicle licence to present a valid motor insurance policy to the Secretary of State. This requirement is carried out by a physical check of an insurance certificate when taxing at a Post Office, or an electronic check of the motor insurance database if an application for a VED disc is made online.

4.2 Regulation 8 (production of insurance card on application for excise licence), of the Motor Vehicles (International Motor Insurance Card) Regulations 1971 (the 1971 Regulations) allows holders of green cards (i.e. a visitor to Great Britain) to provide a green card as proof of valid insurance as an alternative to having to meet the requirements of regulation 9 of the 1972 Regulations.

4.3 However, due to the introduction of the Continuous Insurance Enforcement (CIE) scheme in June 2011, regular checks for valid motor insurance policies are now made on a continuous basis throughout the year, by comparing the vehicle records held by DVLA with the insurance details held on the Motor Insurer's Database (MID) operated by the Motor Insurers' Bureau (MIB). Because the CIE scheme is now used to check whether motorists are insured on a continuous basis, there is now no need to produce evidence of valid motor insurance when taxing a vehicle.

5. Territorial Extent and Application

5.1 This instrument applies to Great Britain.

5.2 The requirement to produce evidence of insurance will remain for vehicles registered in Northern Ireland where a separate regulatory regime exists. Northern Ireland does not have the CIE scheme or an equivalent to it.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- What is being done and why

7.1 The instrument will revoke the provision that requires motorists to produce evidence of a valid motor insurance policy when taxing a vehicle. This will mean that motorists are no longer burdened with having to produce paper certificates when taxing at a Post Office. Furthermore, the Government will no longer need to check for evidence of insurance when electronic applications are made for a VED disc. The introduction of the CIE scheme has meant that there is now a more frequent and comprehensive check made of motor insurance details on an ongoing basis, therefore, the requirement to perform another check of motor insurance details when taxing a vehicle is now both unnecessary and burdensome on motorists.

7.2 The amendments made by this instrument will apply to all licensing transactions undertaken (currently around 46 million transactions a year) in Great Britain. In particular, it will benefit around 600,000 motorists who try to tax via DVLA's Electronic Vehicle Licensing (EVL) system but fail because of insurance validation problems. Although these motorists have a valid insurance policy in place they are forced to complete their application for a VED disc at the Post Office in order to produce evidence of their motor insurance. The removal of the check will enable these motorists to complete their VED disc applications electronically, and they will not be forced to complete their applications in person.

7.3 The Road Traffic Act 1988 (the Act) requires all motorists to be insured against their liability for injuries to others (including passengers) and for damage to other peoples' property resulting from use of a vehicle on a road. Section 143 of the Act makes it an offence to drive a car or allow it to be driven without a valid motor insurance policy in place.

7.4 Regulation 9 of the 1972 Regulations requires an applicant for a vehicle excise licence to produce evidence of valid motor insurance which, in most cases, will be done by producing a valid UK motor insurance certificate. As an alternative, regulation 8 of the 1971 Regulations allows holders of green cards (i.e. visitors to Great Britain) to provide a green card as proof of valid insurance.

7.5 A 'Green Card' is an internationally recognised document that provides evidence that the cardholder has motor insurance in their home country sufficient to meet the minimum requirements of the receiving country. However, there is no longer any need to cater for this

scenario as foreign vehicles which are to be registered onto UK number plates must already have insurance with a UK authorised insurer before they can obtain that plate and take out a vehicle excise licence. Accordingly, the CIE scheme captures such vehicles and this provision is therefore redundant and will be revoked.

7.6 In the past, this check for motor insurance when taxing a vehicle only ensured that there was a valid motor insurance policy in place on the day that the vehicle tax was due. There was nothing in place to stop the applicant cancelling their insurance the next day and driving on the public road without valid insurance.

7.7 Until the introduction of CIE, the only enforcement action available was if the vehicle was spotted on-road. Vehicles caught being used without insurance can be seized, and ultimately destroyed, by the Police.

8. Consultation outcome

On 15 October 2012, the Department launched a 6-week formal public consultation on the requirement to produce evidence of insurance when taxing a vehicle, ending on 26 November 2012. The consultation showed that there was no clear consensus as to whether it would be desirable to remove the check or not. Nearly half of the responses supported the proposal and stated that removing the check was a common-sense approach now that the CIE scheme performs an electronic check of valid insurance. At the same time nearly half of the replies to the consultation opposed removing the check and raised concerns about the potential for insurance evasion. However, analysis of the CIE scheme combined with on-road insurance enforcement which is set out in the Impact Assessment which accompanies this instrument has shown that they provide effective mitigation against any such potential risk. Accordingly the government has decided to proceed to remove the check. The full summary of consultation responses is available online at www.gov.uk/government/consultations/remove-the-insurance-check-when-taxing-a-vehicle.

9. Guidance

The Department intends to publicise the change in legislation by including information on relevant forms and leaflets, as well as making information available on the gov.uk website. The proposal will also be used to increase the public's understanding of the CIE scheme as well as raising awareness of the obligation for motor insurance.

10. Impact

10.1 The impact on charities or voluntary bodies is nil.

10.2 The impact on business and the public sector is minimal. The presence of CIE combined with the current on-road enforcement approach of the Police should mitigate any potential for insurance evasion.

10.3 An Impact Assessment is attached to this memorandum and will be published alongside the Explanatory Memorandum at www.legislation.gov.uk.

11. Regulating small business

The legislation applies to small businesses. However because small businesses are already required to comply with existing legislation and insure their vehicles against third party risk, there is no resulting additional burden and thus no need to minimise the impact.

12. Monitoring & review

12.1 The Department plans to review to ensure effective monitoring and enforcement of insurance evasion by the CIE scheme now that the check at vehicle licensing (when a VED disc is applied for), is removed. Information on uninsured driving and the performance of CIE will be collected and monitored by the MIB and the DVLA through purpose-built systems. The collection of management information includes the number of advisory letters issued by the MIB, the number of fixed penalty notices issued, regular scans of the motor insurance database to identify the number of people insuring their vehicle following enforcement action, measurement of calls to contact centres, measurement of customer awareness and the number of cases taken to court. Further monitoring of the EVL scheme should show an increase in the amount of applications now that motorists who previously failed for insurance validation reasons are now not forced to license elsewhere.

13. Contact

Jason Donovan at the Driver & Vehicle Licensing Agency (tel: 01792 786860 or email: jason.donovan@dvla.gsi.gov.uk) can answer any queries regarding the instrument.