

EXPLANATORY MEMORANDUM TO
THE SOCIAL SECURITY (CLAIMS AND PAYMENTS) AMENDMENT
REGULATIONS 2013

2013 No. 456

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

2. Purpose of the Instrument

This instrument makes changes to the provisions contained in the Social Security (Claims and Payments) Regulations 1987 which place a requirement on mortgage lenders to contribute to the cost of the mortgage interest direct scheme (MID). This is known as the “transaction charge” which from 1 April 2013, will decrease from 38 pence to 35 pence per transaction.

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

None

4. Legislative Context

The transaction charge is reviewed annually. The mortgage interest direct scheme was introduced in May 1992 for Income Support, and was extended to income-based Jobseeker’s Allowance in 1996, and State Pension Credit in October 2003, and income related Employment and Support Allowance in October 2008. Claimants who are in receipt of these income-related benefits can receive help towards their eligible mortgage interest payments (known as support for mortgage interest) which is paid as part of these benefits. Provided their mortgage lenders are members of the mortgage interest direct scheme, DWP pays claimants’ mortgage interest direct to their lenders. In return for receiving direct payments of mortgage interest the lending industry pays a charge for each transaction known as the transaction charge.

5. Territorial Extent and Application

This instrument applies to Great Britain.

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 This instrument decreases the transaction charge that is payable by lenders from 38 pence to 35 pence per transaction, from 1 April 2013.

7.2 The charge represents the costs related solely to implementing mortgage interest direct activities on relevant legacy benefit claims, and includes items such as staff and non- staff costs, stationery and postage and relevant IT costs. The Department calculates the charge on an estimate of actual costs using forecast totals of £920,461 and a forecast number of transactions of 2,637,597 for 2013/2014.

7.3 The MID schemes allows for benefit in respect of mortgage interest to be paid direct to mortgage lenders on a four weekly basis. The level of the transaction charge is reviewed with the Council of Mortgage Lenders on an annual basis and enables the Department to recover its costs for administering the scheme.

Consolidation

7.4 The charge is reviewed annually and is normally subject to change at this review therefore it would not be practicable to consolidate legislation. Information will be available on line via the DWP website in due course. The website is available to the public free of charge: <http://www.dwp.gov.uk>

8. Consultation outcome

8.1 The amending Regulations only affects mortgage lenders, so the Department has consulted with the organisation representing lenders, the Council of Mortgage Lenders, in accordance with section 15A(2) of the Social Security Administration Act 1992. The Council of Mortgage Lenders has accepted the revised charge. The Department calculates the charge on an estimate of actual costs. Wider consultation would be meaningless and wasteful.

8.2 The proposals for these Regulations were considered by the Social Security Advisory Committee on xxx 2013. The Committee decided that it was not necessary for the proposals to be referred to it formally.

9. Guidance

The Council of Mortgage Lenders will be notified when the regulations are laid; it will advise its members of the new charge. This has no effect on the public and is an administrative charge between lenders and the Department.

10. Impact

10.1 There is no new impact on business or civil society organisations.

10.2 The impact on the public sector is negligible as this only concerns administrative arrangements between lenders and the Department.

10.3 An impact assessment has not been prepared for this legislation.

11. Regulating small business

The legislation does not apply to small business.

12. Monitoring and review

The transaction charge is reviewed annually.

13. Contact

Phillipa.Fallowfield at the Department for Work and Pensions [Tel:0207 449 5324] or email: Phillipa.Fallowfield@dwg.gov.uk who can answer any questions regarding this instrument.