EXPLANATORY MEMORANDUM TO

THE SOCIAL SECURITY (FEES PAYABLE BY QUALIFYING LENDERS) (AMENDMENT) REGULATIONS 2015

2015 No. 343

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 and the Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Claims and Payment) Regulations 2013 which place a requirement on mortgage lenders to contribute to the cost of the Managed Payments to Mortgage Lenders scheme (MPML), which was formerly known as the Mortgage Interest Direct scheme. This is known as the "transaction charge" which, from 1 April 2015, will increase from 40 pence to 46 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. MPML, then known as Mortgage Interest Direct, 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 MPML scheme, DWP pays claimants' mortgage interest direct to their lenders. Help for homeowners in Universal Credit will be paid through the owner occupier housing costs element. In return for receiving direct payments of mortgage interest, mortgage lenders pay a charge for each transaction which is 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 increases the transaction charge that is payable by lenders from 40 pence to 46 pence per transaction, from 1 April 2015.

7.2 The charge represents the costs related solely to implementing MPML activities on relevant legacy benefit claims, and includes the staff costs and related non-staff costs. We anticipate the Universal Credit MPML payments will be extremely low in 2015/16 and therefore they have not been included in the transaction charge calculation. The Department calculates the charge on an estimate of actual costs using forecast totals. The forecast costs for the financial year 2015/16 are anticipated to decrease from the 2014/15 estimate of £1,092,562 to £929,866. It is expected that the 2015/16 transaction volumes will be circa. 2.01m.

7.3 The Department completed the 2015/16 transaction charge calculation which resulted in an overall increase when compared to the 2014/15 transaction charge. The overall administration costs in 2015/16 have decreased when compared with 2014/15 however, when combined with the significant reduction in transaction volumes, the overall result is an increase in the transaction charge.

7.4 The MPML scheme allows for benefit in respect of mortgage interest to be paid direct to mortgage lenders on a four weekly basis. Owner occupier housing costs will be paid monthly by MPML in Universal Credit. 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

7.5 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.gov.uk/dwp

8. Consultation outcome

8.1 These amending Regulations only affect 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 13 February 2015. 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 businesses.

12. Monitoring and review

The transaction charge is reviewed annually.

13. Contact

Ruth Greenwood at the Department for Work and Pensions [Tel: 0113 2327601] or email: ruth.greenwood@dwp.gsi.gov.uk can answer any questions regarding this instrument.