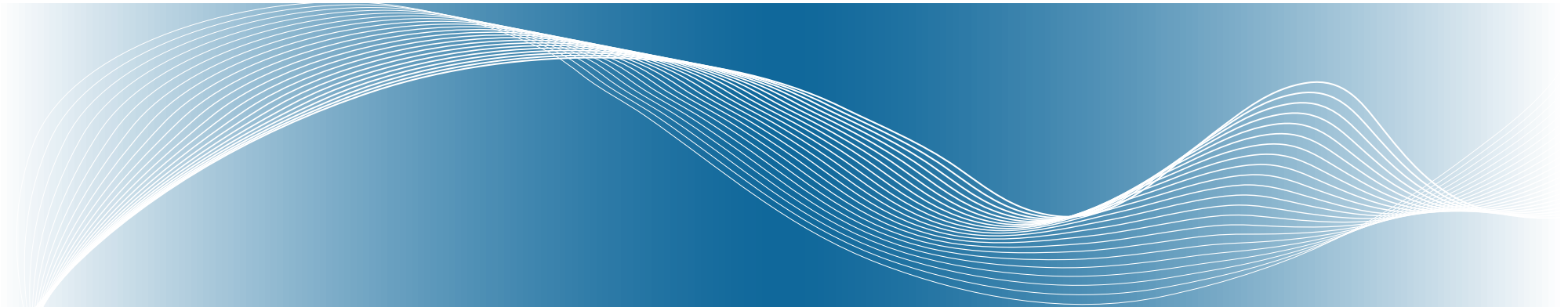




Removing the insurance check when taxing vehicles

The government's plans following consultation



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Foreword

The government proposes to remove the checks of insurance made when a motorist taxes a vehicle now that the Continuous Insurance Enforcement (CIE) scheme makes more comprehensive checks. A formal public consultation exercise began on 15 October and ran for 6 weeks until 26 November. The consultation set out to gauge opinion on the proposal and to identify any further impacts that the proposal may have on the motoring public, business and government. This document sets out the government's plans, summarises the results of the consultation and gives the governments' responses to the consultation.

Alongside this document we are publishing the legislation that will give us the necessary powers to remove the requirement to check. We are also publishing an Explanatory Memorandum to explain what the legislation is intending to achieve.

Executive summary

- 1. There will no longer be a legal requirement for motorists to produce evidence of valid insurance when they tax a vehicle.** However, they will still need to be insured against their liability for injuries to others (including passengers) and for damage to other people's property resulting from use of a vehicle on a road. Motorists will still be responsible for ensuring that they have an adequate policy in place before they use or keep a vehicle on the public road.
2. Currently, there are around 34 million licensed vehicles on the road. Every time one of these vehicles is licensed, motorists must provide evidence of insurance before they obtain a tax disc.
3. The introduction of the Continuous Insurance Enforcement (CIE) scheme midway through 2011 resulted in there being two separate checks of vehicle insurance. The first is through the regular checks that CIE performs to confirm that there is a valid insurance policy in place for a vehicle, while the DVLA request a further check for valid insurance when a motorist applies to tax a vehicle. The check made when a vehicle is taxed is an unnecessary burden on motorists, business and the government.
4. Even though an electronic check for vehicle insurance is made when a motorist applies for a tax disc online, there are around 600,000 online applications that fail every year because of insurance reasons. These people must then license their vehicles elsewhere, normally at the Post Office®.
5. The removal of the check will make it easier for motorists to tax their vehicle, no matter the channel they prefer to use. They will not need to replace lost, stolen or destroyed insurance documents in order to tax at the Post Office® and there won't be failures for insurance reasons when they tax online.
6. The public consultation identified some concern over the potential for insurance evasion to increase. Some see the check of insurance when a vehicle is taxed as a means to help ensure compliance with the UK insurance laws. It is also seen as a convenient reminder for the forgetful. Others view the removal of the check as a relaxation of the taxation process that will make it easier for evaders to get a tax disc.
7. The measure of the effectiveness of CIE demonstrates that between June 2011 and November 2012, the pool of potentially uninsured vehicles fell by over 30%. This is a vast improvement on the 11-month period prior to CIE (July 2010 to May 2011), which saw a fall of less than 2%.
8. DVLA has received support for the proposal from representatives of the Home Office and the Association of Chief Police Officers. The police prefer to use the PNC record as the main data source instead of relying on the tax disc for unlicensed/uninsured vehicles. The Association of British Insurers (ABI) also support the proposal as long as there is some accompanying publicity that reinforces the role of CIE and the opportunity is used to remind motorists of their obligation for adequate motor insurance. The Motor Insurers' Bureau (MIB) also agreed that the insurance check is no longer needed following the introduction of CIE. Despite facing a drop in their revenue when the electronic check of the Motor Insurers' Database (MID), they recognise the benefits and duly support the proposal.

1. Introduction

- 1.1. The policy's primary objective is to make taxing a vehicle easier, quicker and cheaper. It achieves this by removing the burden on a motorist to have to prove they have insurance when they tax their vehicle. Other processes are now in place to monitor motor insurance compliance.
- 1.2. The proposal will also stop 600,000 online vehicle tax applications a year failing when the insurance details are cross-referenced with the vehicle record. These motorists will now be able to tax using their chosen channel rather than be forced to tax at the Post Office®.
- 1.3. Stephen Hammond launched a consultation on 15 October 2012 that proposed the government, as part of its commitment to get rid of unnecessary red tape, will consider removing the need for motorists to prove they have insurance when they buy a tax disc now that regular checks of existing databases are made for insurance under CIE rules. The consultation sought the views of the public and businesses on the need for the check at licensing.
- 1.4. The government is now making the necessary changes to remove the check. This document includes a summary of the results of the consultation, together with the government's response. The government intends to remove the need to check in Dec 2013.

Why remove the check?

- 1.5. Since the introduction of CIE in June 2011, the government has required duplicate and separate checks for a valid insurance policy.
- 1.6. As well as placing extra burden on motorists who have to find and replace lost, stolen or destroyed certificates, the extra checks increase the cost of administrating the actual licensing transaction, whether it be at the Post Office® or online.
- 1.7. Also, the way that current electronic systems and databases are configured means some people cannot tax their vehicle using the electronic channel although they have valid insurance. This problem affects around 600,000 motorists a year. Removing the check will end the situation where motorists cannot tax online despite having a valid insurance policy.

2. The details of the proposal

- 2.1 There is only one policy outcome following the change in law; there will be no requirement to check for evidence of insurance when a motorist taxes a vehicle. Motorists will now be able to tax their vehicle at the Post Office® without having to show any evidence they have insurance. Furthermore, car tax applications made online will not be validated against the MID before they can be accepted.
- 2.2 CIE will perform all monitoring and enforcement against insurance evasion in combination with the on-road enforcement approach of the police.
- 2.3 CIE gives DVLA the ability to identify each month those who keep uninsured vehicles in a way previously not possible. CIE encourages vehicle keepers to either meet their obligation to insure their vehicle or ensure that the data held on databases is both timely and correct, rather than face enforcement action.
- 2.4 The MIB send a letter to keepers of vehicles that appear to be uninsured advising them to insure their vehicle or to check that their insurance company has entered their insurance policy details on the MID correctly.
- 2.5 In conjunction with the removal of the insurance check, the government will use the opportunity to consider how it could remind motorists of their obligation to be insured. It is an offence to drive a car or allow it to be driven without insurance.

3. The consultation responses – a summary

- 3.1** In order to consider the views of as many people as possible, the DVLA provided a number of different ways of being able to respond to the consultation. Respondents could reply directly through the government’s website by filling in an on-line form or a questionnaire and emailing this to a specific consultation email address. Alternatively, respondents could send their responses in writing directly to the government.
- 3.2** Invitations to respond to the consultation were sent to 141 consultees, these included motoring organisations, local authorities and various other interested stakeholders.
- 3.3** The consultation asked the following questions.

Question 1: Do you think that the regular checks made by CIE are more effective a check of insurance than an annual/six-monthly check at the point of licensing? If not, why not?

Question 2: Do you agree that two sets of checks on the same insurance policy via two separate routes creates an unnecessary burden on the public? If not, why not?

Question 3: Do you think that the analysis of costs and benefits of the proposal (as contained in the Impact Assessment) is an accurate representation of the proposal? If not, why not?

Question 4: Are you aware of any other impacts associated with the proposal?

Question 5: Do you agree that the proposal to remove the annual/six-monthly checks on insurance at the point of vehicle licensing should be implemented? If not, why not?

- 3.4** There were 49 replies to the consultation in total, these ranged from companies, public sector organisations to individuals.

Private individuals	31
Trade body or key stakeholder	11
Small – medium enterprises	3
Large company	2
Police associations	1
Interest group	1
Total	49

- 3.5** The government considered all comments in detail and these helped form the plans contained in this document. Further information on each of the consultation questions can be found in Annex A.
- 3.6** The DVLA is grateful to all who responded and took the time to help inform the way forward.
- 3.7** The responses showed neither overwhelming support nor objection to the proposal. Of those that answered the consultation questions directly (37 out of 49 replied directly to the questions asked, while 12 gave their opinion without referring to the questions):
- Nearly half (46%) were fully supportive that the check should be removed.
 - Of the 48% that did not support the check, 78% were directly concerned with CIE’s effectiveness and the perceived potential for insurance evasion.
 - 45% agreed that the checks for insurance made by CIE are more effective than those made at the point of taxing a vehicle.
 - The consultation also asked if the impacts identified in the impact assessment were an accurate representation; 45% agreed and 24% were unclear of any further impacts or unsure of the impacts stated.

4. The government's response

- 4.1** Whilst nearly half of the replies agreed that the proposal should be implemented, those that did not support the proposal were concerned that the ability to enforce against insurance evasion would be reduced. 78% of those that did not support the proposal thought that CIE is not a suitable replacement for the removal of the defence that the current check at licensing provides.
- 4.2** All evidence on CIE's performance to-date suggests it is effective in reducing the number of uninsured motorists on the road. Instead of enforcing against insurance evaders after they commit an offence, CIE prompts behavioural change. Motorists must either meet their obligation to insure their vehicle or ensure that the data held on databases is both timely and correct.
- 4.3** The measure of the effectiveness of CIE, which is a distinctly different, though no less important measurement to that of the number of claims received by MIB demonstrates that:
- between June 2011 and November 2012, the pool of potentially uninsured vehicles fell from 1,146,000 to 759,000, a drop of over 30%. This is a big improvement on the 11-month period prior to CIE (July 2010 to May 2011), which saw a fall from 1,191,000 to 1,171,000, less than 2%
 - the number of vehicles registered and taxed with the DVLA has remained fairly constant since June 2011. However, the number of vehicles on the MID has risen by over 615,000
 - we have also seen a higher response to the IAL than originally estimated (almost 65% compared to a forecast of 40%).
- 4.4** These signs are encouraging because they avoid the need for enforcement action but improve the integrity of vehicle records held on central databases.
- 4.5** The effectiveness and performance of the CIE scheme is a major factor in gaining support for the proposal from key stakeholders such as the police and representatives of the insurance industry
- 4.6** The police have modified the way they approach potentially uninsured vehicles on the road in the light of the accuracy of the MID. They no longer need to rely on the presence of a tax disc to alert them to the status of the vehicle when a quick check of the insurance database will confirm whether there is adequate insurance in place or not.
- 4.7** The ABI and the MIB found their members largely supportive of the proposal as long as it is accompanied by an action to raise awareness of the requirement to have a valid insurance policy in place. The MIB are aware that the loss of the administrative fee per vehicle check will have a financial impact on them. However, they are willing to accept the hit in revenue, in compensation they get close cooperation with the police and DVLA to aid enforcement. They view the enforcement of the law through CIE and police ANPR checks as succeeding in reducing the level of uninsured driving.

The future of CIE

- 4.8** Whilst the current evidence suggests that the CIE scheme has had a positive effect in reducing the number of vehicles being kept without insurance, there is no room for complacency. Other actions to improve the CIE scheme include:
- The MIB continue to analyse the MID to improve the completeness of 'real time' data held.
 - Work is underway to speed up the issue of the advisory letter to those suspected of keeping an uninsured vehicle. The increase in taking 3200 CIE prosecutions to Magistrates' Courts each month supports this.
 - DVLA are now 'fast tracking' those identified as potentially repeating an offence under CIE directly to Magistrates' Courts without issuing any IAL or FPN. This prevents any opportunity to settle the repeat offence by paying a further penalty.
- 4.9** All the above signs are encouraging as they highlight CIE's ability to promote compliance and avoid the need for wholesale enforcement action, while, at the same time, improving the integrity of vehicle records held on respective databases.

Other comments

- 4.10** There were many comments asking the government to take further action and to use the momentum of the proposal to facilitate further changes. Suggestions include:
- Allow Post Office® clerks access to the MID.
 - Remove the requirement to produce MOT certificates when taxing vehicles.
 - Abolish the tax disc.
 - Display insurance certificates on the windscreen (similar to the tax disc).
 - Tax discs could be issued by insurance companies.
 - Mandatory third party insurance to be included as part of the road tax payment.
- 4.11** All of the above suggestions have been recommended to the DVLA in some form or another in the past. DVLA keep their policies under constant review and look at each suggestion on its merits at the time. Whilst it is not possible to answer each suggestion individually, DVLA will look at all the suggestions and recommendations made as part of its review process.

Annex A – Information on the consultation questions

Question 1: Do you think that the monthly checks made by CIE are more effective a check of insurance than an annual/six-monthly check at the point of licensing? If not, why not?

There were 37 specific responses to the question with 17 (46%) agreeing with the proposal and 17 (46%) disagreeing. 12 respondents commented under separate cover. The rest were unclear or unsure as to whether the checks were more effective.

Main themes

- The timeliness of MID updates.
- The effectiveness of CIE.
- The annual/six-monthly checks serve as a reminder.
- No evidence to make a decision.

Examples of comments:

“The lack of a tax disc is a call up to check the insurance. The need for a check at re-taxing reminds drivers to check their insurance”.

“Continual checking is a better check of insurance validity than an arbitrary 6 monthly or yearly check”.

“Annual/6 month checks are a first line check. By the time CIE procedures have run their course an uninsured vehicle may have been on the road for weeks/months”.

“The biggest problem with electronic checks is insurers that fail to update the database in a timely manner, or at all. However the impact on people’s day to day lives from a CIE letter is much less than that of being unable to tax their car. The former just means doing some annoying paperwork, the latter means not being able to (legally) drive to work etc”.

“This is a much better, non-obtrusive nor intrusive, way of ensuring everyone on the road is covered by insurance”.

“Even though CIE is ultimately more effective, it is invisible, which may lead more people to be uninsured who will ‘take the chance’, especially if CIE checks are only done periodically and, in effect, uninsured drivers are allowed a significant period of chasing through the process before enforcement takes place. For many drivers it may be cheaper to be uninsured for 1 or 2 months and wait to be chased, while obtaining and showing a valid tax disc and escaping attention”.

“CIE checks using the MID are an effective way to reduce the number of people who insure a vehicle just to get the tax disc and then cancel the policy afterwards”.

Question 2: Do you agree that two sets of checks on the same insurance policy via two separate routes creates an unnecessary burden on the public? If not, why not?

43% of people who responded agreed that there is a burden created by the extra checks.

Main themes

- The check at taxing acts as a reminder.
- The more checks the better.
- The effectiveness of CIE.

Examples of comments

“When completing via EVL the insurance companies can take several days to update the database with the details of a new policy which can leave a person unable to complete via EVL for some time”.

“Yes, it is often difficult for the person taxing the vehicle to know what exact insurance documents are required”.

“If this check is not made there is no incentive for anyone to insure their car until the CIE system catches up with them when they can get insurance temporarily to get the system off their backs until the next time their turn comes round. The end result of this proposal will not be a significant reduction in uninsured vehicles”.

“The checks back each other up. At times a database can be out of date so if 2 checks are done this makes it more fool proof”.

“Driving without insurance is an offence and one that still seems to occur on a regular basis. It is also one that costs every law abiding motorist through their insurance payments and therefore the more it can be enforced the better”.

“Yes. One route should suffice as long as it is robust enough”.

“Some members pointed to the fact that some motorists will use tax as a reminder to get insured. However, this could be obviated by the tax renewal notice pointing this out and highlighting that CIE is in place. We recommend that the DVLA/DfT consider adding a reminder message to the tax renewal notice”.

“The burden of checking which falls on Post Offices, their staff, and any other agency which has to perform them is now unnecessary, thanks to CIE”.

Question 3: Do you think that the analysis of costs and benefits of the proposal (as contained in the impact assessment) is an accurate representation of the proposal? If not, why not?

46% agreed that the costs and benefits in the IA offered an accurate representation of the proposal. 35% did not agree, whilst 21% were unclear.

Main themes

- Bias towards DVLA costs.
- No account of claims against uninsured driving.
- Reduction in cover-notes.
- Reduction in uninsured driving.

Examples of comments

“It does not count the cost of more uninsured vehicles on the road”.

“Estimates of cost have never been accurate. Follow-up and prosecution probably won’t deter. A first line check will at least prevent a tax disc being displayed if no insurance is in force at the time of checking”.

“Yes, I.T. systems are accurate and more cost effective”.

“On road enforcement is not an effective deterrent. This is demonstrated by the number of motorists who continue to drive uninsured”.

“Insurers have already borne most of the costs with the development of the MID and compliance with its requirements. Ultimately, the benefits should be a reduction in uninsured driving plus there should be a reduced need to issue ‘one off’ cover notes for vehicles needing to be registered/taxed that day”.

“The consultation has not quantified any potential cost savings or expenses for the insurance industry that the removal of the insurance check may have. The potential cost saving to the public purse of £1.2 million may be off-set by the higher risk to the industry and which may be passed on to the compliant motorist by way of additional premium”.

Question 4: Are you aware of any other impacts associated with the proposal?

Main themes

- Increase in uninsured driving.
- Loss of jobs.
- Cost of CIE.
- Need for an increase in CIE publicity.

Examples of comments

“Leave well alone it’s been this way for decades, why change it now?”

“There is always the risk brought about by human error, the Post Office/DVLA check does safeguard against that”.

“I think you are opening the door to a new generation of people who will unknowingly be driving without insurance, who will rely on the sharp practice of insurance companies who roll-on policies at uncompetitive rates to ‘protect’ their customs from slipping through the net”.

“It allows uninsured drivers to tax a vehicle”.

“It will make it easier to buy and sell second hand cars that currently have no tax. Currently buying an untaxed car means handing over the money, getting the insurance and then waiting a week for the paperwork/database update before you can actually drive the thing! A lot of people find this frustrating, especially younger drivers getting their first car. Some may be tempted to drive untaxed during this time”.

“Yes, we have concerns that a consumer who is purchasing a new/replacement car from a dealership, may assume the insurance cover they already have will cover the new/replacement car”.

“The only real benefit would be for cheats and fraudsters to make it easier for them to evade”.

Question 5: Do you agree that the proposal to remove the annual/six-monthly checks on insurance at the point of vehicle licensing should be implemented? If not, why not?

43% of the responses were in agreement with the proposal, whilst 46% were not. The rest of the replies were unclear and could not make a decision based on the evidence provided. Of those that supported the proposal, 98% did not expand on their comment, whilst 100% of those that disagreed with the proposal provided further justification for their decision.

Main themes

- Increase in uninsured driving.
- Accuracy of database data.
- Effectiveness of CIE.

Examples of comments

“Most of the general public would not support the proposal if they understood the consequences of more uninsured drivers on the road”.

“What does it matter when does any government authority give a damn unless it creates more income?”

“It’s too early; too simplistic; ignores a simple amendment that would continue to provide the current checks in association with CIE to reduce the number of uninsured drivers on the road”.

“Yes, brilliant idea”.

“No, I’d rather have two sets of checks – the 1.2 million cost per year is pretty trivial”.

“I believe that honest tax payers, be they individuals or businesses, accept there is a level of bureaucracy and are prepared to comply with the process. Removal of the checks will simply make it easier to evade”.

“At present a tax disc is a visible marker to show that the vehicle has been insured and taxed and MOT’d when it was issued. If it was done away with then there will be less checks done on ensuring drivers are insured as DVLA do not have the capabilities to keep records up to date. This will mean more motorists will risk driving without insurance. At present people know they need to be insured to obtain road tax whereas if this was implemented they are more likely to just buy the tax and not bother with insurance”.

“The removal of the six/twelve-monthly licensing check should go ahead, but only at the point where CIE has been fully imbedded. ...is concerned that 2013 will be too soon for this to occur”.

Question 6: Do you have any other questions/comments about the proposal?

38% of the responses to this question offered a considered comment about the proposal, while the rest either did not or their replies centred on personal experiences with DVLA in general.

Main themes

- Effectiveness of CIE – is it up to scratch?
- MID & DVLA records – accuracy and timeliness.
- Allow PO staff access to MID.
- Abolish tax discs.

Examples of comments

“Why continue to have tax discs if controls are virtually all computerised nowadays? Such an antiquated redundant system”.

“A more visible effort should be made to remove/crush vehicles owned by unlicensed/uninsured/untaxed persons where repeated offences are committed. There are too many places where roadside checks by police will never be carried out”.

“...something really needs to be done about the accuracy and time taken to update the MIB database. Being unable to tax your car is annoying, but not as annoying as having your car seized despite having a policy in force and then having to pay a non-refundable recovery & storage charge to get it back when the paperwork or DB update finally comes through. This is a growing problem with increasing reports of police officers believing the database over the actual insurance certificate carried in the car”.

“The DVLA should ensure that any changes are communicated in a clear and simple way at the time of road-fund-licence renewal and to explain simply and clearly the consequences of deceiving the system, so as to avoid numerous un-insured accidents in the first year of implementation”.

“Suggest you also consider removing the check on the MOT. This also can expire on the following day, but can easily be checked at any time on the MOT database”.

“An alternative approach is that adopted by the French, for example, where the insurance certificate is, effectively, displayed on the car at all times”.

“While we are supportive of the proposal, we do feel that the DVLA/DfT could use the change to re-energise the marketing around CIE. A further publicity campaign to raise public awareness of the obligation to insure motor vehicles and the CIE requirements would be a welcome move”.

“...make vehicle excise duty a tax on insurance. This way the insurance company would charge tax at the point of insurance sale and issue a disk which represents that the vehicle is both taxed and insured”.

“This (proposal) is important in light of the planned closure of the DVLA local offices in 2013, especially for paper V55 vehicle registrations which will have to be posted to Swansea”.

“Some members, due to the type of vehicles they operate, still tax vehicles at the post office and the requirement to explain that they are a fleet customer can cause confusion therefore the removal of the check will be welcomed by this sector of the membership”.

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