

**EXPLANATORY MEMORANDUM TO
THE SOCIAL SECURITY (CLAIMS AND PAYMENTS) AMENDMENT
REGULATIONS 2011**

2011 No. 679

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 places a requirement on mortgage lenders to contribute to the cost of the Mortgage Interest Direct (MID) Scheme. This is known as the “transaction charge” which, from 1 April 2011, will reduce from 45 pence to 43 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 (MID) 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. Customers 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 MID scheme, DWP pays customers’ 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 reduces from 45 pence to 43 pence per transaction, the charge that is payable by lenders from 1 April 2011.

7.2 The charge represents the costs related solely to implementing mortgage interest direct activities on relevant benefit claims, and includes items such as staff and non-staff costs, stationery and postage and relevant IT costs. Following the Spending Review in November 2010 the Department has reduced its costs across most areas including those relating to delivery of mortgage interest direct. The charge is calculated using forecast total costs of £1,174,195 and the forecast number of transactions of 2,732,535 for 2011/12.

7.3 The MID scheme allows for benefit in respect of mortgage interest to be paid direct to mortgage lenders on a 4-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. A consolidated text will be available online via the DWP website in due course. The website is accessible to the public free of charge: <http://www.dwp.gov.uk/>.

8. Consultation outcome

8.1 The amending regulation affects only mortgage lenders, so the Department has consulted the organisation representing lenders (the Council of Mortgage Lenders), in accordance with section 15A(2) of the Social Security Administration Act 1992 who have accepted the revised charge. The Department calculates the charge based 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 2 March 2011. The Committee decided not to require the proposals to be formally referred to it.

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 A full 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 normally reviewed on an annual basis.

13. Contact.

Phillipa Fallowfield at the Department for Work and Pensions (Tel. 020 7449 5324) or Email: phillipa.fallowfield@dwpgsi.gov.uk who can answer any queries regarding this instrument.