

REGULATORY IMPACT ASSESSMENT

1. Title

Vehicle Registration Marks Bill

2. Purpose and intended effect

- **Objective**

To amend the Vehicle Excise and Registration Act 1994 to allow a vehicle keeper to pass entitlement to the vehicle's registration mark to another person when the registration mark is first placed on retention.

Once the initial right of retention has been granted it will be non-transferable unless the person holding entitlement to the registration mark (grantee) wishes to pass their entitlement to another party via the existing nominee arrangements.

- **Background**

There is an active market in vehicle registration marks. In the financial year 2005/2006 the Driver and Vehicle Licensing Agency (DVLA) handled more than 487,000 cherished transfer and retention applications.

Under the cherished transfer scheme the registered keeper of a vehicle is able to transfer the registration mark directly from one vehicle to another. Additionally, the keeper can remove the registration mark from the vehicle and hold it on retention for 12 months until they are ready to transfer it to another vehicle. Holding a vehicle registration mark on retention effectively removes the registration mark from use until it is assigned to another vehicle. The retention is held in the name of the keeper of the donor vehicle (grantee). The right of retention can be extended for further 12-month periods indefinitely.

Only the registered keeper (grantee) is entitled to have the mark assigned to another vehicle. If the grantee wishes to sell a right to use the registration mark to another person while the mark is held on retention, he can give the purchaser 'nominee' status

but he cannot transfer his right of retention. The grantee may change the name of the nominee while the registration mark is held on retention and must supply nominee details to DVLA for inclusion on the Retention Document. It is only through the act of the grantee exercising his right of retention that the retained registration mark is assigned to the nominee's vehicle and whereby entitlement to use the registration mark passes to the nominee.

- **Rationale for government intervention**

The current arrangements are inflexible. The only person entitled to put a registration mark on retention is the registered keeper of the donor vehicle. Once on retention, the registration mark can only be assigned to a vehicle registered in the name of the grantee or that of a nominee. As entitlement to the registration mark cannot be passed on while the number is held on retention the nominee has no legal entitlement to the registration mark before its assignment, by the grantee, to his vehicle. This creates difficulties as the grantee cannot dispose of his entitlement to the registration mark but must remain involved in the process until the registration mark is properly assigned to his nominee's vehicle.

Similarly, if a vehicle keeper wishes to sell entitlement of the registration mark to a dealer, the dealer cannot take control of the number he purchases. The matter is further complicated if the dealer wishes to hold the number in stock until he has a buyer for it. The grantee must be contacted each time the entitlement needs to be extended or if the addition or change of a nominee is required. While the intention of this requirement was to safeguard an individual's right to a registration mark, it creates an administrative burden for those trading in registration marks and prevents the grantee from concluding the sale quickly.

Also, the nominee must rely on the integrity of the grantee to assign the number as agreed. There is potential for fraud and financial loss should the grantee renege on the agreement with the nominee.

Table A shows the number of cherished transfer and retention applications handled by the Agency, and illustrates the continuing growth of interest in the movement of registration marks.

	2003/4	2004/5	2005/6
Cherished transfers	259,599	280,580	297,339
Retentions	146, 845	162,047	189,980

Table A – Number of transactions undertaken by DVLA

3. Consultation

Informal consultation between the Agency and representatives of the cherished number industry took place in 1999/2000 when it was agreed that this enhancement to the existing retention facility should be introduced at the earliest opportunity.

4. Options

Two options have been identified:

Option 1

Continue with the status quo. The existing arrangements were drawn up very tightly in 1983 to counter problems with abuse of the system. It is the Agency's view that the safeguards resulting from electronic links with the vehicle record now mean that these arrangements are unduly restrictive.

Option 2

Amend legislation. The requirements for the assignment of registration marks are laid down in the Vehicle Excise and Registration Act 1994. An amendment would provide wider powers.

The Agency proposes to take forward the second option.

5. Costs and Benefits

There are no obvious social, economic or environmental costs for either option.

Currently, each time a registration mark is placed on retention, a fee of £25 is charged. At the same time, an additional fee of £80 is payable for the eventual assignment of the registration mark to a vehicle. These charges will continue to apply. It is not proposed to vary these charges or introduce any additional charge for the new facility.

Under option 2 there may be savings for number dealer businesses in terms of resource and administrative costs associated with contact between the trader and the vendor until assignment is complete. In addition it is expected that this change would lead to an increase in the number of marks traded by dealers by approximately 5%.

Benefits

Option 1

The current system meets the requirements of customers and business but in a limited way.

Option 2

The proposed change would be of benefit to both buyers and sellers of vehicle registration marks, and for intermediaries in the trade –

- the seller would be able to make a ‘clean break’ sale,
- the registration mark dealer would have entitlement to the registration mark and avoid a three-cornered sales transaction. For traders who purchase retained registration marks speculatively, the gap between entering an agreement with the vendor and identifying an end client can be lengthy. Under the new facility, traders can acquire entitlement to a registration mark from the outset and enjoy complete autonomy (within the terms of the retention arrangements) over the disposal of the registration mark to an end-buyer, and
- the buyer would acquire entitlement to the registration mark before assigning it to a vehicle.

6. Small Firms Impact Test

The Cherished Numbers Dealers Association, which is an umbrella organisation for 16 registration number dealers, has confirmed that there would be no significant or disproportionate impact resulting from this proposal.

7. Competition Assessment

It is not believed that there is any business sector for which there will be any adverse competition effects arising out of either of these options.

8. Enforcement, Sanctions and Monitoring

As the proposal will introduce an elective facility, there are no enforcement implications.

9. Implementation and Delivery Plan

Revised forms and literature will be available, and interested parties will be notified one month before legislation is implemented.

10. Post - implementation review

Post-implementation review to be determined by responses from customers.

11. Summary and Recommendation

The proposal will simplify the process of buying and selling registration numbers for both dealers and individuals without compromising the current legislative safeguards against registration number fraud. It will allow the registered keeper of a vehicle (the grantee) to withdraw from the process by transferring their entitlement to use a registration mark to another person of their choice at the time that the mark is first put onto retention. The proposal is elective and has no adverse equality, diversity or financial consequences for business or individuals. It is recommended that option 2 should be implemented.

12. Declaration and publication

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Signed by the Responsible Minister.....

Date.....

Stephen Ladyman
Minister of State
Department for Transport

Contact Point

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