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2018

Motability Operations Group plc (Motability Operations)
Response to publication of the National Audit Office's report into the Motability Scheme
Publication of Annual Report and Accounts 2018
Management Update

Motability Operations today announces its response to the National Audit Office's (NAO) report into the Motability Scheme (Scheme). This coincided with the publication of Motability Operations' Annual Report and Accounts 2018 and an update on its management team.

Commenting on the NAO report, Neil Johnson, the Chairman of Motability Operations, said:

"We welcome the recommendations of the NAO report, and are proud that it has acknowledged the impressive performance of the company, and the excellent service it offers to 625,000 disabled people and their families.

"Our business model has allowed the company to return more than £500 million in payments directly back to customers over the last 10 years. Moreover, efficient running of the Scheme has ensured that prices are consistently 44 per cent cheaper than any alternative.

"We will continue to work with the Charity, Motability, to invest to improve our service and value for money while supporting the Department for Work and Pensions in their efforts to increase awareness and understanding of the Scheme."

Acting on the NAO report's recommendations Motability Operations is:

- Enhancing our reporting of executive remuneration, so that it exceeds current regulatory requirements;
- Reviewing our approach to forecasting, to project future profit distributions;
- Developing with the Charity Motability a ten-year plan for how profits are re-invested or donated, including reviewing how return-on-investment is monitored in terms of customer impact.

Motability Operations will also work with the Charity Motability to support an independent review of reserves.

Many of these initiatives are already well underway, as outlined in our Annual Report and Accounts 2018, published today. In the financial year ended 30 September 2018, Motability Operations:

- Invested £183 million to support lower pricing, and support for those with the most complex mobility needs;
- Donated £400 million from windfall profits to the Charity Motability;
- Retained £116.6 million to underpin capital requirements and reduce borrowing costs, therefore ensuring customer lease costs remain at a minimum 44 per cent lower than other market alternatives.

The Annual Report and Accounts 2018 also contains details of changes to the management team.

Nearly three years ago, Neil Johnson, Motability Operations Group plc's Chairman, announced that he would retire in 2019. Mr Johnson will be succeeded in April 2019 by The Rt. Hon. Sir Stephen O'Brien. Sir Stephen qualified as a solicitor before a decade of industrial management at Redland PLC, and was an MP for 16 years and an International Development Minister. From 2015 to 2017 he was United Nations Under-Secretary-General for Humanitarian Affairs & Emergency Relief Coordinator.

After 16 years in the business, Motability Operations Chief Executive Mike Betts and the Board of Motability Operations Group plc have agreed that, following the implementation of actions agreed as an outcome of the NAO review, and working to help the new Chairman settle in, a suitable successor will be found, and Mike will step down from the Board, no later than May 2020. The Board is clear that recommendations made by the NAO will benefit from Mr Betts's experience and skills to see them through.

In his Annual Report and Accounts statement, Mr Johnson said:

"As this is my last statement as Chairman of the Motability Operations plc Board, I would like to set on record my appreciation for the dedication and passion that Mike has brought to the business. Under his guidance, Motability Operations has become an outstanding enterprise which delivers the highest levels of customer service."

Ends

Notes to editors:

Motability Operations

Motability Operations Limited delivers affordable leasing to more than 625,000 disabled people, under contract to the Charity Motability, which sets the strategic policies and direction of the Motability Scheme.

Motability Operations negotiates with car manufacturers to provide cars at the lowest possible rates, and manages servicing, insurance and resale. Around a third of eligible recipients choose to use their Disability Living Allowance or Personal Independence Payment to lease a Motability car.

Motability Operations is an independent company. Its shareholders are UK banks who have supported the Scheme since 1977. The company holds appropriate capital reserves to maintain financial security, weather economic changes, and to reduce the cost of borrowing, enabling it to keep prices low. Shareholders do not receive any dividends, allowing all profits to be reinvested for the benefit of disabled people

Surplus funds are directed as donations to the Charity Motability.

Motability Operations has made a range of significant improvements to the business in the last decade. These have included:

- An extensive core systems replacement delivered in 2017 on-time and on-budget, creating a stable operating base for all customers;

- A new insurance model rolled out between 2013 and 2016 with a turnover of more than £400m a year, providing a more efficient service to customers and delivering £40 million worth of savings per year to customers;
- The refinancing of the business, raising over £4bn of debt capital on cost efficient terms that had a beneficial impact on lease pricing; and
- Customer service initiatives tailored to meet the most complex customer needs.
- The NAO report confirms that in May 2018 Motability Scheme pricing was 44% cheaper than market rates. Since then the gap has increased and on average Scheme pricing is 45% cheaper.

The Motability Scheme

Since it was set up in 1977, the Motability Scheme has provided more than four and a half million vehicles and helped millions of disabled people and their families to enjoy the 'road to freedom'.

Around 625k disabled people currently choose to use the Scheme.

Almost 5 million vehicles have been supplied since the Scheme launched.

Our cars are now 45% cheaper than market alternatives. Customers access affordable, worry-free mobility using their mobility allowance to lease a car, scooter or wheelchair. The Scheme is fully inclusive of insurance, breakdown cover, maintenance and servicing and is available on identical terms to all qualifying recipients across the UK.

Overall customer satisfaction has been independently measured at 98% or above for eight consecutive years.

We bought more than 220,000 new cars this year...and we sell 4,200 a week into the used car market as vehicles are returned at the end of the lease.