EXPLANATORY MEMORANDUM TO

THE SOCIAL SECURITY (CLAIMS & PAYMENTS) AMENDMENT REGULATIONS 2006

2006 No. 551

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. Description

2.1 The regulation amends the provision imposing a requirement of mortgage lenders to contribute to the cost of the Mortgage Interest Direct Scheme (MID) known as the "transaction charge". From 1 April 2006 the charge will increase from £0.31 to £0.51.

3. Matters of special interest to the Joint Committee on Statutory Instruments.

3.1 None

4. Legislative Background

4.1 The Mortgage Interest Direct Scheme (MID) was introduced in May 1992 for Income Support (IS), and was extended to income-based Jobseeker's Allowance (JSA (IB)) in 1996 and State Pension Credit (SPC) in October 2003. Customers who are in receipt of income- related benefits such as IS, JSA (IB) and SPC can receive help towards their eligible housing costs such as interest on mortgages. Provided their mortgage lender is a member of the MID Scheme, DWP pays the customer's mortgage interest direct to the lender. In return for receiving direct payments of mortgage interest the lending industry pays a charge for each transaction known as the transaction charge.

4.2 The transaction charge is amended from 1 April 2006.

5. Extent

5.1 This instrument applies to Great Britain.

6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy Background

7.1 The MID Scheme allows for benefit in respect of mortgage interest to be paid direct to mortgage lenders on a four weekly basis. The lenders who participate in the MID Scheme are required to contribute towards DWP administration costs and this is known as the transaction charge. These costs are normally reviewed on an annual basis. The Regulations provide that the transaction charge is increased from last year's rate of 31 pence per transaction (applicable from 1 September 2005) to 51 pence from 1 April 2006. The Department consulted the lending industry who confirmed their agreement to the charge. The Social Security Advisory Committee confirmed their agreement to the amending regulation.

8. Impact

8.1 A full Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

8.2 The impact on the Public Sector is negligible.

9. Contact

Phillipa Fallowfield at the Department for Work & Pensions Tel: 020 7962 8305 or e-mail: Phillipa.Fallowfield@dwp.gsi.gov.uk can answer any queries regarding the instrument.