

Putting customers first



“

We have continued to focus on delivering great service to our customers.

”

Matthew Hamilton-James
Interim CEO

Supporting customers through the pandemic

- Supported continuous mobility by offering automatic lease extensions and increased our investment in hire car and taxi service provisioning
- Provided every customer with a £50 rebate reflecting a reduction in fleet insurance claims due to lower national road usage
- Option to receive accelerated GCB payments for customers facing exceptional financial need
- Maintained a fully operational contact centre to respond to unprecedented customer call volumes
- Regular information provided to our customers via the website, emails and social media
- Worked with dealers to support customers seeking to safely collect new vehicles as markets re-opened

This has been an extraordinary year, with a level of challenge we've never seen before. The response of the business, and in particular the commitment and resilience of our employees, working closely with Motability and our wider business partners has enabled us to keep customers fully supported and mobile through the initial national lockdown and beyond.

Having taken over the reins as Interim CEO in April, my priority was always to ensure that we maintained the excellent levels of service for our customers, to keep up the momentum on the wide range of projects and initiatives and to ensure that the Motability Operations is in robust shape, both financially and operationally, when Andrew Miller joins us in January 2021. Notwithstanding the unforeseen challenges of the Covid-19 pandemic, thanks to the efforts and dedication of colleagues across the business, these objectives have been achieved.

Overview

Our business delivers worry-free motoring to over 630,000 disabled customers. Through an affordable leasing proposition, we aim to empower people to lead more independent lives; in short, to provide the pathway to everyday freedom that many others take for granted.

Because our customers rely on the Motability Scheme, we aim to ensure we sustain a secure financial base, to protect the Scheme over the long term. Motability Operations is, by design, a financially and operationally robust business. This provides reassurance that we are well placed to weather the impacts of economic and environmental shocks – such as this year's lockdowns – and continue to offer our customers access to affordable, worry-free, mobility.

Customer service is our priority, and we are delighted that this year, customers have rated our services at 9.7 out of 10, as well as putting us at the top of the Institute of Customer Services league table in our financial services sector, ahead of many familiar household names.

In order to maintain these levels of service, we constantly listen to customer feedback and recognise that we need to continue to invest to improve services and to provide wider support for our customers.

With more than two thirds of our customers now qualifying for the Scheme through Personal Independence Payment (PIP), we have experienced different challenges as we support customers with increasingly diverse needs, including mental health, psychological and neuro-linguistic conditions. We set out to make sure that our support and services are structured to support this breadth of needs.

A year in review

Our goals and objectives are centred around four strategic pillars: to ensure long-term sustainability; to maintain consistently high levels of customer satisfaction; to provide value and a wide variety of vehicles at affordable prices; and to create improved awareness and understanding of the Scheme.

A continued focus on these objectives guided our planning and approach during the first six months of the year to March 2020 and, as the effects of the pandemic unfolded, was used to shape our response as we aimed to minimise any adverse impact felt by our customers.

“Whatever the outside circumstances, customer service is at the heart of our business, and this has been another year of strong performance.”

Pre-lockdown

We went into lockdown around the halfway point of our financial year after what had been a busy six months, with a strong performance having been delivered across the full range of targets including customer satisfaction and affordability.

Work had continued on a number of new initiatives, including good progress on our ambitious programme for enhancing digital services for customers launching our first customer online accounts early in 2020. Many more improvements are planned in the next few years.

From a financial perspective we opened the year in October 2019 with capital reserves in line with the target position and good liquidity headroom. With trading performance during the six months to March 2020 ahead of plan, supported by a buoyant used-car market, this placed us in a robust position when lockdown measures were introduced on 24 March.

Managing lockdown

With the lockdown measures announced it was critical that we were both agile and coordinated in our response. Our priority has been to ensure the safety and well-being of our employees while continuing to provide an excellent service to our customers. Given the unprecedented nature of these challenges, the decision was taken to retain the services of Mike Betts as a consultant to co-ordinate our Covid-19 response.

Making sure the business remained fully operational has been critical for customers. We set out to achieve 100% home-working as quickly as possible. We invested in extra laptops, and rolled out software that meant employees, including our call centre, could fully function outside the office. It is testament to the hard work of colleagues in IT, and resilience of our systems infrastructure, that we were able to seamlessly make the transition from an office-based to a home-based organisation within the space of 48 hours.

With our employees actively working, we have not utilised the furlough scheme and, as a financially robust business, have not drawn on any of the wider measures of extraordinary government financial support.

As a result of this agile response, we have kept our customer call centre operational throughout, with our customer service advisers able to respond to customer calls from the outset of the lockdown, at a time of great uncertainty for many customers.

Of course, maintaining mobility for our customers has been a top priority. We took an early decision to automatically extend each lease due to expire, for six months beyond its original end date. This made things clearer for customers, providing certainty and removing anxiety, and avoided the practical obstacles to ordering, when most dealers were closed. We have helped customers by offering additional flexibility and support, including allowing additional drivers to be added to Scheme insurance, and providing taxis where appropriate. Many of these decisions required us to deploy rapid systems changes.

Fewer cars on the road meant a reduction in insurance claims, and the projected saving meant we could share a £50 rebate with every customer, totalling £31.5m. We acted quickly in mobilising the capability to issue over 630,000 cheques to customers.

In addition, we have responded to the Financial Conduct Authority's guidelines on supporting those facing temporary financial difficulty, by offering customers early access to the £600 'Good Condition Bonus' normally paid at the end of a lease. This has given customers access to cash when they may need it most, and to date, 14,174 customers have taken advantage of this accelerated payment.

I'm delighted to say that we have received extremely positive feedback from customers about the support they have experienced through these difficult months, whether that was advice from a call centre adviser; breakdown support from the RAC; or a supportive dealer handling a repair.

With lockdown restrictions relaxing in June and dealerships being able to reopen, we were able to recommence customer applications, and vehicle handovers and returns for existing customers, with new to Scheme customers able to place new applications from July.

This led to some exceptional months for application, handover and used-vehicle sale volumes, reflecting pent-up demand from the lockdown period. We received a record number of customer calls in June followed by over 40,000 applications in July. This inevitably put considerable pressure on our front-line teams such as the customer call centre, dealer services and vehicle remarketing, however, I am pleased to report that through the commitment of our employees and the resilience of our systems we were able to manage these unprecedented volumes.

The decision to react swiftly as one of the first movers to recommence activity has not only been good for customers, but has enabled us to capitalise on the strong demand in the used car market, and also to access new vehicle stock available in the UK through the summer months.

Covid-secure office environment

As the government guidance and lockdown measures eased, this has enabled a partial return of employees to the office; this has been limited to those whose activities either require a physical office presence or where home-working is not practical or effective.

We have taken steps to ensure that the physical office environment is as Covid-safe as possible with social distancing measures in place. We have invested in extensive signage, hand sanitiser stations, touchless technology and regular cleaning protocols.

For those who continue to work from home we have also placed considerable focus on ensuring that employees' health and both physical and mental well-being supported.

Whilst, as the path of the pandemic unfolds, it is as yet unclear when a full return to the office may be possible, we are however confident that we have the “playbook” to quickly adapt to any changing national or regional measures. Our learnings from the full lockdown have demonstrated that we can continue to operate remotely with our systems and technology providing us with the flexibility required.

As we emerge from the pandemic we envisage that a more blended approach to the workplace will endure, with greater flexibility for employees to make a seamless transition between home and office working. That said we recognise and value the importance of face-to-face contact and see the office environment continuing to play a key role going forwards.

Customer service

Whatever the outside circumstances, customer service is at the heart of our business, and this has been another year of strong performance. The independent six-monthly customer CSI survey rated satisfaction levels at 9.7 out of 10. Ninety-eight per cent of customers said they would recommend the Scheme to others, and over 91% chose to renew.

We also benchmark services through the Institute of Customer Service (ICS). This year the ICS once again recognised our customer service as the highest in our sector, with an exceptional score of 94.4%, compared with a sector average of 79.5%.

Motability Operations’ services are rated particularly positively for ease of doing business. We appreciate that customers have complex and changing needs, and we approach each as an individual, looking to understand the specifics of their circumstances and requirements.

Customer service advisers are trained to take ownership for the customer’s issue, respond with empathy, and work flexibly to address their needs. This supports the resolution of most customer queries in one call.

With the Government’s programme of Welfare Reform now in its seventh year, Personal Independence Payment (PIP) recipients now comprise more than two thirds of our customer base. With lower levels of Scheme awareness among PIP recipients, it is more important than ever that information on the Scheme reaches as many potential customers as possible. To that end, we launched a trial advertising campaign in selected regions in September. Initial reaction to the campaign has been very positive and we will take a view on the merits of rolling it out more widely across the UK in due course.

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Notwithstanding the unusual circumstances this year, the Scheme attracted around 58,000 new customers, who chose to use their allowance to lease a Motability car. Scheme volumes remained steady during the course of the year, finishing at around 635,000.

In delivering the Scheme, we work closely with partner organisations, including RSA, Europcar, RAC and Kwik Fit, and this has been especially important through the lockdown restrictions of Covid-19. We continually look to improve experiences for customers requiring breakdown services or replacement cars, and further developments to provide a more seamless support service are in the pipeline as part of our digital programme.

We continue to receive excellent customer satisfaction scores from our more than 16,000 powered wheelchair and scooter customers, with independently measured overall satisfaction scores of 95% and 91% of customers intending to renew their lease when their current agreement expires.

In addition, we now have over 29,000 Wheelchair Accessible Vehicles (WAVs) on the fleet, and over 3,000 ‘Drive from Wheelchair’ vehicles.

Other initiatives aimed at supporting those with WAVs included roll out of familiarisation visits, and annual checks, to make sure customers are comfortable with their vehicle, and the technical aspects remain sound.

Despite the huge impact of Covid-19, we have also made significant progress on strategic projects through this year, and, in particular, have accelerated our digital roadmap. This is designed to transform online services to customers, and harness digital tools to increase flexibility and contact channels. This year has seen the first online accounts for customers, as well as the relaunch of our dealer locator tool, and we look ahead to an ambitious programme of further development through 2021.

We were able also to open our offices, and welcome new colleagues, in Edinburgh this year. Our Edinburgh office provides extended operational capability for customer services as well as capacity to support some of the customer base growth we expect in coming years.

We work with a network of partners, including around 4,500 dealers, to deliver services to customers. Our objective is to offer consistently good service across the UK, and we provide training to help dealers become confident in meeting the needs of customers with a range of disabilities.

During the year we provided operational and disability confidence training for several thousand dealer Motability specialists, all through an online platform which was developed rapidly to replace our usual classroom environment. We are currently making plans to ensure that our series of dealer business briefings, scheduled for early 2021 and normally attended by more than 3,000 dealer managers and specialists across the UK, can be delivered through effective digital channels.



Our series of summer events, known as One Big Days, normally provide an opportunity for customers and potential customers to find out more about adaptations and conversions, and the Scheme in general. Unfortunately, it has proved impossible to run these events in 2020 in the context of lockdown restrictions, although a small-scale event was piloted on social media in September. We are currently investigating options to deliver some of the benefits of these events through an online environment next year.

Our close partnership with disability organisations remains highly valued, and although we were unable to hold our Disability Organisations Forum in the summer, more than 70 organisations receive our quarterly newsletter. We have also established an online Disability Organisations' panel. Feedback from these organisations helps us shape our services and meet the developing needs of customers.

Financial strength

Motability Operations is, by design, a financially and operationally robust business. The business model has been built to provide long-term sustainability for the Motability Scheme and customers, so despite the economic challenges, we remain secure.

As outlined above, we entered the Covid-19 crisis in good financial health in terms of trading results, capital and liquidity. The second half of the financial year has benefitted from a particularly buoyant used-car market (as seen across the industry). Having moved quickly to reactivate our operations in June, we have been able to capitalise on this strong market demand and consequently this has delivered significant profitability through our vehicle remarketing operations.

Not unexpectedly this upside is in part offset by additional depreciation booked against the live fleet following our year-end fleet revaluation. This revaluation reflects a cautious outlook in respect of the future value of the current fleet, with specific overlays for potential Covid-19 and Brexit effects. These overlays, which will unwind next year if not required, do not affect lease pricing, but reflect a range of variables which could affect future financial performance.

Nonetheless we are pleased to report a post-tax profit of £150m, which is in line with our targeted 1.5% Return on Assets. We continue to target capital reserves at a 99.99% confidence level with an additional buffer to protect from cyclical economic shock. With closing capital reserves of £2,321.5m we are tracking with appropriate headroom above the targeted position which, in the context of the uncertainty on the horizon, gives us confidence as we look ahead. Our credit ratings with Moody's and Standard & Poor's have remained unchanged during the year at A1 and A respectively, both with stable outlooks.

Fleet volumes have remained stable. Rental revenue, assigned by customers, but collected directly from Government, was not affected by lockdown and continued to be received, while customers retained their cars.

Affordability for customers remained stable through the year, with more than 299 cars available at no more than the allowance. On average more than 160 cars were priced at less than the full allowance, allowing customers to keep some money back. Our investment is not only reflected in headline pricing; it also means that customers have obtained growing value from cars on the Scheme over the years. Higher-quality vehicles, and many additional features, are increasingly available, either for the allowance alone, or a small advance payment. Excellent relationships with the major manufacturers help us maintain choice and affordability.

Our reinsurance captive, managed through a wholly owned subsidiary MO Reinsurance Ltd (MORL), delivers a highly effective insurance solution. MORL performed well this year and made a £31m profit. MORL is fully reserved to cope with volatility in claims.

Employee engagement

Our people are passionate about our business, and their engagement is one of our most important measures. We evaluate this annually through a survey carried out for us by Willis Towers Watson, which benchmarks Motability Operations against the UK's highest-performing companies.

Once again this year we saw all divisions scoring ahead of the high-performing organisations benchmark in all 11 categories measured, with improvements made across all areas.

We aim to recruit and retain the talent needed to maintain our strong performance over the long term, including through our graduate, scholarship and internship programmes.

We invest in training and development, and plan carefully for succession. This helps us foster the right people and skills to determine our long-term success.

We continue to respond to changing expectations and society developments, with continuing evaluation of our work practices and office environment, including providing more creative space, and greater availability of flexible working.

While we are committed to the retention of office environments in the longer term, since we see value in face-to-face interactions, we expect a move towards more blended office and home-working patterns in future.

We keep employee engagement in our sights at all times, and act on feedback where we identify need for improvement. One such area was highlighted by the 2020 gender pay gap review. While we pay equally for equal roles, we have identified a mean gender pay gap of 25.6%. Although a welcome improvement on the year before, we recognise there is work to be done, and we are committed to addressing this. A range of initiatives will build on our culture of inclusion, to create supportive environments for all employees.

Removing barriers

We remain committed to promoting diversity and inclusion in the workplace and removing barriers where they may exist. During the year we have made good progress, supported by our diversity networking groups, and have launched a number of initiatives and events aimed at improving awareness and understanding across the business. That said, we recognise that we are on a journey and we need to evidence this commitment through tangible actions; more could and should be done. During the coming months we plan to launch an Equality Diversity and Inclusion strategy, overseen by a new Equality Diversity and Inclusion Committee. The committee will help shape this strategy and also support business in its implementation.

National Audit Office

We have now implemented both of the recommendations relating to Motability Operations made in the National Audit Office's (NAO) December 2018 report on the Motability Scheme.

The recommendation in relation to greater remuneration transparency was addressed in the 2019 Annual Report and Accounts; this continues to be evidenced in this year's Annual Report, with disclosures going beyond our statutory requirements.

The NAO also recommended that MO should review its approach to forecasting residual values. As described in the 2019 Annual Report, this in-depth review was undertaken last year with independent third-party support. The review concluded that MO's forecasting approach uses sophisticated techniques, is robust, fit-for-purpose and aligns to forecasting best practice, with no evidence of systemic bias that results in either under or over forecasting. The review did highlight some minor recommendations which have now been implemented as part of the ongoing refinement of our reforecasting process.

We have regularly engaged with the NAO to keep them informed of progress in implementing both recommendations.

Outlook

Despite the many challenges this year, Motability Operations Group plc remains financially and operationally resilient. The underlying financial strength with which we entered the Covid-19 crisis reassured us that we were well placed to continue to offer our customers affordable, worry-free, mobility.

The Group has a clear plan in place for handling the unwinding, or ramping up, of any future lockdown measures or restrictions. A key challenge will be managing uncertainty around the used-car market, as customers reactivate new vehicle orders. We will also need to offer flexibility through extending leases for customers who may not yet feel ready to renew, or who are unable to do so due to local lockdown arrangements.

Along with the continuing Covid-19 impact, there remains uncertainty around the economic impact of Brexit; the continuing effect of the implementation of vehicle emission targets on both vehicle cost and availability and more generally the potential stresses relating to the used-car market.

With the measures already taken and given the business's sound financial foundations, we believe we are well placed to meet these challenges as the market rebalances. We will continue to balance the needs of customers, suppliers and other stakeholders, whilst ensuring that we maintain appropriate liquidity headroom and capital.

As ever, we continue to work closely with the executive team and governor's at Motability. I would like to thank the team at Motability for their proactive engagement and support during this most challenging of years. I would in particular like to extend my personal thanks to Lord Sterling, who stood down as Chairman of Motability in June this year. Lord Sterling co-founded the Scheme with the late Lord Goodman in 1978 and has been a driving force in shaping its direction and success in enhancing the lives of millions of disabled people and their families over the last four decades. I would also like to take this opportunity to welcome Charles Manby MBE, who now takes up the reins as Motability's Chairman, and we look forward to continuing the strong working relationship as we look ahead.

We also saw a transition at Motability Operations this year, with Mike Betts standing down as Chief Executive. Under Mike's leadership the business has been transformed into the high-performing, customer-focused operation it is today. My personal thanks to Mike on behalf all employees and the executive team for his support, leadership and vision over the years.

In taking over as Interim CEO in April, my focus has been to maintain this excellent performance and to continue momentum across the full range of strategic initiatives and plans. Notwithstanding the unprecedented challenges faced this year, it is a testament to not only the robust nature of our business model, but also the commitment and resilience of our employees, that we have continued to deliver on all fronts and, crucially, have provided such consistently high levels of service to our customers.

Looking ahead, I very much look forward to welcoming Andrew Miller as our new Chief Executive in January 2021 and am confident that I will hand over the business in excellent shape.



Matthew Hamilton-James
Interim CEO