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Dear George,

Thank you for your email of 3 May, on behalf of your constituents, regarding Scottish Power's Powerplan cashback warranty scheme.

I sympathise with customers who lost out as a result of the Scottish Power Powerplan cashback warranty scheme. The Insolvency Service received reports and supplementary information from the liquidators of the two companies involved in operating the scheme, and this information was reviewed to determine what, if any, further action would be appropriate. In particular it considered whether there were grounds for commencing a further investigation using powers available under the Companies Act 1985. The review has now been concluded.

Investigations under section 447 of Companies Act 1985 are confidential and their existence or progress is not disclosed outside of strict statutory gateways. The Department for Business, Innovation and Skills (BIS) has no power to determine liability in this case and has no legal standing to intervene in what is a commercial claim by the liquidator of a limited company against Scottish Power. Any investigation by BIS would have no bearing on the liquidator's claim or whether customers would receive any money. Although it is clearly unacceptable that so many people are still owed money as a result of the cashback promise made to them, the only people who can take action against Scottish Power and make payment to the scheme creditors are the liquidators of the companies involved.

Your constituents may be pleased to learn that since the Scottish Power Powerplan cashback warranty scheme failure, the regulation of the warranty and insurance market has changed. Firms selling, promoting or advising on warranty and insurance are now required to be authorised by the Financial Conduct Authority (FCA), so that if things go wrong customers will have the right to redress through the financial ombudsman service or have access to compensation through the financial services compensation scheme. The FCA also has the regulatory power to ban products or specific product features in the financial services market, levy fines and determine consumer redress where it finds that a firm is in breach of its rules.

Finally, I should add that the Law Commission are currently reviewing treatment of consumer pre-payments where, at the point of a company's insolvency, consumers have not received what they paid for, if payment was in cash. While customer warranties are not expressly within the scope of the Law Commissions' review, it is possible that the proposals that are ultimately brought forward may nonetheless prove to be applicable to this kind of product. It is anticipated that their report will issue later in the year.

I appreciate that this will not be the reply your constituents were hoping for, but I hope that this provides reassurance that changes to law and the marketplace since this scheme operated have and will provide better protection to consumers.



NICK BOLES MP

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