

The Electric Wheel Company Cycle to Work Scheme

3 September 2009

Thank you for enquiring about the Electric Wheel Company cycle to work scheme. By taking advantage of tax incentives available to encourage healthier lifestyles and to help reduce environmental pollution, employees can make significant savings on the purchase of a bike and safety accessories of up to 50%. Employers will save money too.

There are 4 easy steps to follow:

1. The employee chooses a bike and any safety accessories from us.
2. The employee completes an Order Form (Form 1 attached).

The employer then completes a Pre-Contract Information Form and gives it to the employee (Form 2 attached).

A Hire Agreement (Form 3 attached) covering the value of the goods to be purchased is then prepared and signed by the employer and the employee.

3. The employer can then telephone to order the bike and accessories (payment for the goods is taken at this time) or send us copies of the Order Forms together with a Company cheque for the value of the goods. Please note that we cannot reserve bikes or accessories until payment has been received.
4. The employer then processes the employee's salary sacrifice for the duration of the hire period.

Details of what constitutes safety accessories is not defined in the legislation, but typically includes the following:

- Cycle helmets which conform to European Standard EN 1078
- Bells and bulb horns
- Lights, including dynamo packs
- Mirrors and mudguards to ensure riders visibility is not impaired
- Cycle clips and dress guards
- Panniers, luggage carriers and straps to allow luggage to be safely carried
- Locks and chains to ensure cycle can be safely secured
- Pumps, puncture repair kits, cycle tool kits and tyre sealant to allow for minor repairs
- Reflective clothing together with white front reflectors and spoke reflectors.

The employer decides what safety equipment is offered and may wish to confirm with their local tax inspector whether the equipment they decide to provide falls within the tax exemption.

There is no limit on the value of the equipment including the cycle that the employer may provide, but employers will be obliged to apply for their own consumer credit licence if this amount is above £1,000.

Forms and Agreements

In order to assist you in setting up a Cycle 2 Work Scheme we have prepared the following forms and agreements which you are free to use, and which are attached to this letter:

Form 1	An Order Form
Form 2	A Pre-contact Information Form
Form 3	A Hire Agreement Regulated by the Consumer Credit Act 1974

The Pre-Contract Agreement and the Hire Agreement are compulsory in order for the Scheme to comply with the Consumer Credit Act 1974.

Before the employee signs the Hire Agreement they must be given an outline of the essential contract terms. This is done by giving the employee the Pre-Contract Information Form.

Also it is necessary for the employee to be given full copies of the Hire Agreement at the point where he signs and the point where the employer signs. The only exception is when the employee and the employer sign at the same time in which case it is only necessary for the employee to be given one copy.

The Order Form is not a requirement of the Consumer Credit Act 1974. However it is sensible to get the employee to sign up an order sheet confirming that they want the bike and that they know they are going to incur certain charges. However it is important that employers understand that this “order” is no substitute for the actual agreement itself. Apart from anything else, whilst it is good that the employee commits, it is not possible to make this a binding agreement. Under the Consumer Credit Act, a hirer always has the option of withdrawing at any time before the actual agreement is finalised.

Please note that whilst we are supplying standard forms and agreements for your use we do not take any responsibility for the way in which these forms and agreements are used and for their enforceability.

If you have any queries please do not hesitate to contact us at info@electricwheel.co.uk.

A brief background to the Cycle 2 Work Scheme and information relating to the Hire Agreement is attached.

Yours faithfully

The Team at the Electric Wheel Company

THE ELECTRIC WHEEL COMPANY CYCLE TO WORK SCHEME

Background and Overview of the Cycle to Work Scheme

In order to encourage healthier lifestyles and to help reduce environmental pollution the Government has introduced Cycle to Work Schemes. In addition to the health and environmental benefits of these Schemes, these Schemes also provide financial benefits to both the employer and employees.

The Cycle to Work Scheme allows an employer to provide an employee with a bike and associated cycle accessories. The key points are:

- The employer buys the bike and associated cycle accessories selected by the employee;
- Most employers can reclaim the VAT on the bike and accessories purchased;
- Most employers can claim capital allowances on the bike and accessories purchased;
- The employer loans the bike to the employee for an agreed period (normally 12 to 18 months). The employee pays hire charges to the employer through a salary sacrifice arrangement for the duration of the hire period;
- As a result of the salary sacrifice arrangement the employer saves the Employers NIC (generally 12.8%) of the salary being sacrificed;
- At the end of the hire period the employer can sell the bike and accessories to the employee for a nominal amount. Alternatively the employer can retain ownership of the bike and accessories and allow the employee to use the bike and accessories with no salary sacrifice.

The Hire Agreement

As the employer is hiring the bike and associated accessories to the employee a formal Hire Agreement is required.

This Hire Agreement between the employer and employee is regulated by the Consumer Credit Act. The OFT has issued a Group Consumer Credit Licence for employers providing employees with bikes and accessories with a value of up to £1,000, including VAT. Therefore provided that the value of bike and accessories does not exceed £1,000 the employer is not required to apply for a Consumer Credit Licence for its Scheme.

An employer will only need to obtain a Consumer Credit Licence if they wish to provide an employee with a bike and accessories with a value in excess of £1,000. Guidance on obtaining a Consumer Credit Licence can be found at www.of.gov.uk.

There is no limit to the value of the bike and accessories. Additionally it is possible for an employee to have 2 bikes if, for example, the employee needs a bike at either end of a train journey.

Detailed guidance on the benefits and implementation of Cycle to Work Schemes can be found on the Department of Transport website at www.dft.gov.uk.

**ORDER FORM
AND CALCULATION OF SALARY SACRIFICE**

Employee Name	
Home Address	
Telephone	
Email	
Employee Payroll Number	

Tick box if you wish for your bike to be delivered to your home address

HIRE GOODS AND CALCULATION OF SALARY SACRIFICE

Goods	Product Description	Price
Bike	[BIKE DESCRIPTION]	995.00
	SUBTOTAL	995.00
	Subtotal ex VAT at employers VAT rate	865.22
	HIRE PERIOD (number of months)	12.00
	DEPOSIT	£nil
	MONTHLY Hire Charge to be paid by employee through salary sacrifice.	72.10

I confirm that I wish to hire the above bike and cycle accessories from my employer and that these goods will mainly be used for commuting purposes.

Signature of employee _____

Date of signature _____

PRE-CONTRACT AGREEMENT
Hire Agreement Regulated by the Consumer Credit Act 1974

Agreement between the Employer and Employee for the Provision of a Bike and Cycle Accessories

Employer Name	Employee Name
Address	Home address
Postcode	Postcode
Employee NI Number	Telephone
Employee Payroll Number	Email

KEY FINANCIAL INFORMATION

Goods	Product Description
Bike	[BIKE DESCRIPTION]

Fixed Hire Period (number of months 0 maximum 18 months)	12
Monthly Hire Charge (to be paid by employee through salary sacrifice)	£72.10

KEY INFORMATION

This Hire Agreement cannot be cancelled.

If you default on your obligations under this Hire Agreement (e.g., by failing to make any payments on the due dates) we may recover from you our reasonable legal, administrative and other costs and expenses incurred in enforcing our rights under this Hire Agreement.

IMPORTANT – READ THIS CAREFULLY TO FIND OUT ABOUT YOUR RIGHTS

The Consumer Credit Act 1974 covers this agreement and lays down certain requirements for your protection which should have been complied with when this agreement was made. If they were not, we cannot enforce this agreement against you without getting a Court Order. If you would like to know more about your Rights under the Act, contact either your Local Trading Standards Department or your nearest Citizens’ Advice Bureau.

MISSING PAYMENTS

Missing payments could have severe consequences and may make obtaining credit more difficult.

Hire Agreement Regulated by the Consumer Credit Act 1974

This Agreement between the Employer and Employee for the Provision of a Bike and Cycle Accessories

Employer Name	Employee Name
Address	Home address
Postcode	Postcode
Employee NI Number	Telephone
Employee Payroll Number	Email

KEY FINANCIAL INFORMATION

Goods	Product Description
Bike	[BIKE DESCRIPTION]

Fixed Hire Period (number of months 0 maximum 18 months)

12

Monthly Hire Charge (to be paid by employee through salary sacrifice)

£72.10

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MISSING PAYMENTS

Missing payments could have severe consequences and may make obtaining credit more difficult.

This is a Hire Agreement regulated by the Consumer Credit Act 1974. Sign it only if you want to be legally bound by its terms.

Signature of Hirer:

Date of signature:

Under this agreement the goods do not become your property and you must not sell them.

Signed on behalf of Employer

Signature:

Name:

Position:

Date of Signature:

This Hire Agreement asks for the information needed to begin this arrangement, and also contains clauses which may affect your employment Terms and Conditions. You should read and fully understand this agreement before deciding whether to enter into the Hire Agreement. If you are unsure of any aspect of the Hire Agreement you should seek independent advice.

TERMS AND CONDITIONS

This agreement regulates your participation in the Cycle to Work Scheme under which you will be provided with a bike and related safety accessories for commuting and for your own private use. This Hire Agreement sets out the terms of the arrangement and your salary sacrifice.

Terms and conditions in this agreement may differ to your existing terms and conditions of employment. By signing this agreement you agree that where there are differences between the terms and conditions in this agreement and your employment, the terms and conditions in this agreement will rank ahead of your employment terms and conditions.

You have agreed to enter into a salary sacrifice agreement for the Hire Period. In return you will be provided with a bike and related safety accessories of your choice to use for commuting and your own private use for that period which you have chosen from the Electric Wheel Company Ltd. The value of your chosen bike and accessories and the length of the hire agreement will determine the amount by which your gross salary is reduced.

By entering into this agreement you are confirming that you will use the bike and accessories supplied mainly for commuting to and from work. You also agree that you are responsible for insuring the bike and accessories.

The Electric Wheel Company Limited will supply the bike and accessories. These goods remain the property of your employer and as such may not be sold by you.

The Hire Period for this agreement is set out on the first page of the agreement. At the end of the Hire Period the employer may dispose of the bicycle and accessories. This Hire Agreement does not regulate the terms of this disposal.

Under this agreement the bike and accessories provided remain the property of the employer and DO NOT become the property of the employee.

Supply of bike and associated cycle accessories

Your employer has committed to supply you with a bike and associated cycle accessories under the cycle to work scheme for the Hire Period. The bicycle and associated cycle accessories will be provided to the employee for their use as part of their new remuneration package. In return the employee has committed to a salary sacrifice for the period until this agreement is fulfilled or terminated.

Salary Sacrifice

A salary sacrifice happens when an employee gives up the right to receive part of their cash pay due under their contract of employment. A salary sacrifice is not a deduction from salary or a change of salary, it is where the employee agrees to accept a lower amount of salary in return for a non cash benefit – in this case the supply by the employer of a bike and associated cycle accessories.

The salary sacrifice will continue until the agreement is fulfilled or terminated.

Accordingly the effect of this Hire Agreement is to vary your Terms and Conditions of Employment. By committing to this Hire Agreement, you are accepting a new remuneration package, which includes a combination of cash and benefits. The benefit under this agreement is the supply by your employer of a bike and associated accessories you have chosen to be provided to you as part of your remuneration package. Subject to the Terms and Conditions included here, you are free to use the bike and accessories during the Hire Period.

Absence and National Minimum Wage

By entering into this agreement, you agree that your salary sacrifice will apply to any pay received during absence from work. However, if after the salary sacrifice your salary falls below the national minimum wage, the salary sacrifice will be suspended until such time as your salary rises above that level.

Termination

If you cease your employers employment before the end of this Hire Agreement, this agreement will terminate and the goods supplied under this agreement will become a taxable benefit. You must also pay the remaining hire charges. By signing this agreement, you agree that the remaining hire charges will be deducted from your final net salary payment. If your final net salary payment is insufficient to meet the remaining hire charges then you must pay your employer the outstanding balance within 14 days.

Right of Hirer to Terminate the Hire Agreement

This is a non-cancellable fixed-term Hire Agreement and you do not have the right to terminate this Hire Agreement

Your Responsibilities

You agree that during the term of the Agreement:

- That the bike and accessories will be your responsibility;
- To notify your employer as soon as the bike is not being used for commuting purposes. The provision of the bike and accessories will then become a taxable benefit;
- To adequately insure your bike and accessories adequately;
- To comply with the manufacturers guidance when using the goods supplied under this agreement;

At the end of the agreement you will return the bike and accessories to your employer in good condition (fair wear and tear only excepted).

Disclosure and Data Protection

You authorise your employer to disclose such personal data and information to Wiggle Limited as may be reasonably necessary in order to supply you with your bike and cycle accessories. Further more you authorise The Electric Wheel Company Limited to use such data for that purpose and to contact you directly to clarify details relating to the goods ordered.

Limitation of Liability

Nothing in this agreement shall operate to exclude or limit a liability for death or personal injury caused by negligence.

Your employer or The Electric Wheel Company Limited will not be liable for indirect or consequential loss or damage whatsoever arising out of a breach of this Hire Agreement or any other action or failure to act and will not be held liable for failure to supply, failure to deliver on an agreed time or day, or late delivery.

If we are found liable to you our liability will not exceed £1,000 except for liability for death or personal injury resulting from our own negligence.

Law

This agreement is governed by English Law.

Whilst we consider the Terms in this Agreement are reasonable in normal circumstances, if any one or more of these Terms shall be judged to be void as going beyond what is reasonable but would be valid if some part of these Terms were deleted or amended, such Term shall apply with such modification as required to make it valid.

AGREEMENT OF TERMS

If the employee wishes to enter into this Hire Agreement, this agreement must be completed and signed where indicated. This agreement must be signed by the employee at the business premises of the employer.

If the Hire Agreement is accepted by the employer, the agreement must also be signed by the employer.

The employer will then purchase the selected bike and accessories and amend the employees remuneration package accordingly.