

**From:** keith sholl [mailto:keith@insurancewide.co.uk]  
**Sent:** 28 June 2007 11:46  
**To:** 'James Harrison'  
**Subject:** RE: VAT

James,

I can only but agree with everything you have said except for the fact that HMRC understand our business, since if this were truly to be the case then I don't believe that we would be where we are today. They certainly should have a better understanding following the meeting yesterday although they still haven't grasped the concept of the Wizard and what the Wizard actually does fully.

The continuing misconception by HMRC of what our business entails was revealed in the fact that they believe that the filling out of a form with Connect means that we have more of an involvement in an intermediary capacity than with the Wizard where we (to them) appear to be simply providing a link to the insurer. In fact, from an intermediary point of view, it could be argued that the completion of the form reduces the involvement since the prices are now returned automatically and there is no need for the level of communication between us and the insurer that is necessary with the Wizard in order to understand their requirements and for us to adjust the weightings accordingly.

Indeed, the perception that HMRC have is that the completion of the form with Connect is an improvement on the service that we are performing on behalf of the insurer with the Wizard, when the opposite is actually the case. With the Wizard we only send the insurer those customers that suite their requirements which means that the number of wasteful enquiries is reduced (saving on resources) and their conversion from Quote to Sale is improved considerably. With Connect the tendency is to request quotes from all insurers in respect of all enquirers and, therefore, the number of quotes requested/generated is increased manifold (increasing the level of resources required) and whilst the end result may also be an increase in the number of policies sold (we hope) the conversion from Quote to Sale is reduced dramatically.

There is of course a perceived and indeed a real improvement in terms of the service that we are providing to the potential insured in that they only have to fill in the form once and we contact all of the insurers on their behalf, however, the service for which we are being paid and on which our assessment as to the VAT position should be considered is the service that we are providing to the insurer. That service is the introduction of potential insureds to the insurer and in essence it is the same service that we have been providing throughout regardless of the system in operation, whether it is Cox, Wizard, Plus, Connect or indeed a sole provider that we have researched as the most appropriate.

It remains the case that HMRC's perception of the service that we are providing to the insurers (our customers) is being overly influenced by their perception of the service that we are providing to those seeking insurance. This is evidenced by the fact that they asked us whether there has been an increase in the amount insurers pay us (i.e. per transaction) as a result of the perceived additional services that we are providing via Connect and also whether there are any changes to the contracts between us and the insurers in relation to those additional services. The answer to which is no, although there have of course been substantial changes to the contracts to encompass the changed technical elements and the additional reporting requirements although in many respects these could be viewed as services that the insurers are providing for our benefit rather than the other way around.

The problem that we face is that HMRC have as good as admitted that they are intending us as a test case and in that respect there are many websites out there that do simply provide links to

insurers (third hand) and even ones that mimic what we have developed with the Wizard albeit that they do not have the relationships and the involvement with the Insurers that we have built up and the detailed knowledge about the policies that is necessary for the operation of the Wizard. Furthermore, there are now an increasing number of websites that provide form completion and quotes but again do not have the direct relationships with the insurers and by virtue of the automated processes there is no need for them to even have any knowledge about insurance and yet the view of HMRC would it seem be that they are performing more of an intermediary role than we do via the Wizard.

Hopefully, it will prove to be the case that, in selecting Insurancewide, HMRC have chosen the incorrect subject for their test case. From the point of view of cost and the time taken up in presenting the case it is perhaps unfortunate that we have not as yet been able to persuade them of this fact but, on the other hand, it could be very fortunate that it is Insurancewide they have chosen and not one of our imitators since it would not be in our interest to have a ruling made on the basis of a half baked operation that would then be used as a precedent with an adverse bearing on Insurancewide. In the circumstances, to continue to fight the case through to a successful conclusion in the court is our only option.

To that end we need to concentrate on the service that we provide to the insurers and the fact that in essence this has remained the same since our inception.

Keith