



Carrying Passengers and Transporting Luggage

Guidance taken from North East England Tourism Business Toolkit 24/5/10

CARRYING PASSENGERS AND TRANSPORTING LUGGAGE

Carrying Passengers

If, in the course of your business, you carry members of the public as passengers in any vehicles, there are a number of issues to bear in mind:

- What kind of licence do you need for your vehicle?
- Do you need to add any categories to your drivers licence?
- What kind of motor insurance do you need?

If you only carry luggage or belongings, but not people, then you just need to make sure you are correctly insured – see Transferring Luggage and Belongings on pg 4.

Hire or reward

The law makes a distinction between those who use vehicles to transport people for non-profit purposes – like a club, car-share or group of friends – and those who transport people for “hire or reward”, i.e. as part of their business activities. Those who carry customers for business purposes in any way other than occasionally giving lifts in a car (see below) do so, in the eyes of the law, for “hire or reward”, even if the price for doing this is “rolled up” into the price for other services, such as the use of a room or the cost of a lesson.

The law makes a further distinction between those who carry passengers **as** their business – e.g. taxi firms, mini-cabs, bus operators, limousine services, hospital transport services etc – and those who carry passengers just as a small part of their main activities, like a hotel operating a minibus service to and from an airport, a walking tour company transporting guests to the start of a route or surfing company transporting surfers to the beach.

Very occasional lifts in a car

If, very occasionally, you offer to pick up a customer, or drop them at a particular place, in your own, ordinary car (less than eight passenger seats), then, provided you don't make any charge, either directly or indirectly and these really are one-off occasions you won't need a special licence (though you should make sure that your motor insurance covers Business Class 1, 2 or 3 - most motor insurers offer this, see below for more on insurance).

VOSA's guidance (VOSA is the Vehicle and Operator Services Agency) states:

“Small vehicles suitable for carrying 8 or fewer passengers (a) if you give *lifts in a car*, or take part in a social car scheme run by a local authority, you can charge people enough to cover your running costs (plus general wear) and your car will still be treated as a private vehicle, not a taxi, hire car or PSV.”

Be aware though that this exemption was really intended for car-sharers. If you pick up or drop of customers with any regularity or frequency, or the customers couldn't be customers of your business without your offer of transport then you must be licenced.

Operating licences

If transporting your customers is an integral part of your service and allows you to conduct your business activities in the way that you do, or if you want to regularly offer lifts, then you will need a special operating licence and appropriate insurance.

Hackney carriage (taxi) or private hire licensing

If you make yourself available to customers in order to transport them to a variety of different places at their request, in return for a fee, then you will need to be registered as a hackney carriage or private hire vehicle driver, and your vehicle will also have to be registered (fees are upwards of £200 for each). In addition you will need special insurance (confusingly called For Hire and Reward insurance, not generally offered by ordinary insurers). You must be of good repute, without relevant convictions and you must have held a full licence for at least 12 months. You must have a medical (for which there is a fee), a Criminal Records Bureau check (for which there is a fee) and you will usually also have to pass a knowledge test (for which

there is a fee), to prove that you can get your customers effectively from one place to another. Your car must also pass an enhanced MOT test (for which there is a fee) and be regularly tested and maintained.

Becoming licensed as a taxi or private hire car is an expensive business. Think twice before you go down this route, it may be a lot more cost effective and time-efficient to develop a good relationship with a registered taxi firm instead. If you do decide to explore this route, you must, in the first instance, get in contact with your local authority, explain what you will be doing and ask if you fall under their hackney carriage or private hire licensing rules.

PSV licence

If, on the other hand, you don't make yourself available to customers to take them wherever they wish to go, but you do provide a pre-defined transport service for them as part of your business offering, then you will need a PSV (Passenger Service Vehicle) licence. To qualify for this, you must also calculate your charges per person, either by collecting individual fares (direct charging) or including the cost of transport in your per person pricing for the overall service (indirect charging) that you offer.

There are two types of PSV licence: a restricted PSV and a full PSV.

A restricted PSV licence

If you only use one or two vehicles that have 16 or less seats to transport customers as part of the services you offer then you can obtain a Restricted PSV (Passenger Service Vehicle) licence for your vehicles, which can be obtained from VOSA (Vehicle and Operator Services Agency).

To obtain a licence you need to download form PSV 421 from www.vosa.gov.uk or click here: [Application for a PSV Licence](#). You will need to show that you have enough money to carry on your business (3 months bank statements, your accounts or evidence of an overdraft facility is sufficient), that you are of good repute with no convictions, have sound routines in place for checking and maintaining your vehicle(s) and that you understand the rules for drivers' hours.

Note: If either of your vehicles has between 9 and 16 seats you will also need to send your Certificate of Initial Fitness (COIF) to prove the vehicle is constructed or adapted properly. Don't buy a second hand minibus that doesn't have one. You will also need additional categories on your drivers licence – see below.

Fees for a Restricted PSV are: £141 application fee then £141 for a 5 year licence, if granted. You can pay the 5 year licence at £28 per year. (Prices correct February 2008).

Standard PSV license

If you use more than two vehicles or a minibus with more than 16 seats then you need a standard PSV Operators Licence. There are more stringent rules in addition to those for a restricted licence, including the requirement that you hold a certificate of professional competence. If your vehicles have more than 9 seats then you'll also need the Certificate of Initial Fitness for each vehicle and the relevant categories on your driving licence.

Fees for a Standard PSV are: £213 application fee then £141 for a 5 year licence, if granted. You can pay the 5 year licence at £28 per year. (Prices correct February 2008).

Driver's licence

If your vehicle is eight seats or less then your normal, full driving licence is sufficient. If your vehicle has 9 or more passenger seats you will need to add a PCV (Passenger Carrying Vehicle) entitlement (unless you already have an existing PSV licence). You can add a D1 entitlement, which allows you to drive a vehicle with up to 16 passenger seats (ie 17 seats including one for the driver) and tow a trailer of up to 750kg. A category D entitlement allows you to drive bigger buses and coaches. If you wish to add heavier trailers to either you'll need

to add a category E as well.

Obtaining a PCV entitlement

You obtain an additional entitlement on your regular car licence by getting a provisional entitlement then taking a theory test (fee £32.50) and a practical test (fee £89). To obtain the provisional entitlement you must fill out form D2 from the DVLA and send it back together with form D4, which must be completed by your doctor. The completion of D4 requires that the doctor gives you a medical and declares you fit to drive by completing the form. They will make a charge for this of about £50 (including VAT), but it varies from doctor to doctor. There is no application fee for form D2, though you will have to enclose your existing licence with the application.

Transferring luggage or belongings

If you only transfer luggage or belongings, not people, you don't need a special licence for either yourself or your vehicle, unless the vehicle you use to do this is more than 3.5 tonnes (in which case you'll need a goods licence, see the VOSA website). You will need, however, to make sure you've got adequate insurance – see overleaf and check with your broker.

Business motor insurance

If you occasionally give lifts to and from your place of business in your personal car for no fee (or just covering petrol and wear and tear, but no additional costs or the cost of your time) or you transfer customers luggage or belongings then you'll need to make sure your motor policy covers you for Business Class 1 (if just you do the driving in your own car) or Business Class 2 if you and other named drivers do the driving. Most insurers offer this type of insurance and many include it for free in your existing motor policy.

If you provide a taxi service you will need a special "hire or reward" class of insurance not offered by general insurers. This can be very expensive.

If you run a PSV vehicle you need to talk to your broker and explain exactly what you are doing. Some insurers will require you to have a "hire or reward" insurance, others will simply require that you have a Business Class insurance, which is a lower cost option. Explain your particular circumstances carefully to your insurer so they have a full picture of your activities and provide you with the right level of cover at an appropriate price.

Further information

- For PSV information see the VOSA website www.vosa.gov.uk
- For PCV entitlement guidance, including application forms, theory test questions and booking a theory or practical test click [here](#) to visit the Department of Transport's website.
- For Taxi and Hackney Carriage Information contact your local authority