



Road Traffic Act 1988

1988 CHAPTER 52

PART VI

THIRD-PARTY LIABILITIES

Compulsory insurance or security against third-party risks

143 Users of motor vehicles to be insured or secured against third-party risks

- (1) Subject to the provisions of this Part of this Act—
 - (a) a person must not use a motor vehicle on a road unless there is in force in relation to the use of the vehicle by that person such a policy of insurance or such a security in respect of third party risks as complies with the requirements of this Part of this Act, and
 - (b) a person must not cause or permit any other person to use a motor vehicle on a road unless there is in force in relation to the use of the vehicle by that other person such a policy of insurance or such a security in respect of third party risks as complies with the requirements of this Part of this Act.
- (2) If a person acts in contravention of subsection (1) above he is guilty of an offence.
- (3) A person charged with using a motor vehicle in contravention of this section shall not be convicted if he proves—
 - (a) that the vehicle did not belong to him and was not in his possession under a contract of hiring or of loan,
 - (b) that he was using the vehicle in the course of his employment, and
 - (c) that he neither knew nor had reason to believe that there was not in force in relation to the vehicle such a policy of insurance or security as is mentioned in subsection (1) above.
- (4) This Part of this Act does not apply to invalid carriages.

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144 Exceptions from requirement of third-party insurance or security

- (1) Section 143 of this Act does not apply to a vehicle owned by a person who has deposited and keeps deposited with the Accountant General of the Supreme Court the sum of £15,000, at a time when the vehicle is being driven under the owner's control.
- (2) Section 143 does not apply—
 - (a) to a vehicle owned—
 - (i) by the council of a county or county district in England and Wales, the Common Council of the City of London, the council of a London borough, the Inner London Education Authority, or a joint authority (other than a police authority) established by Part IV of the Local Government Act 1985,
 - (ii) by a regional, islands or district council in Scotland, or
 - (iii) by a joint board or committee in England or Wales, or joint committee in Scotland, which is so constituted as to include among its members representatives of any such council,at a time when the vehicle is being driven under the owner's control,
 - (b) to a vehicle owned by a police authority or the Receiver for the Metropolitan Police district, at a time when it is being driven under the owner's control, or to a vehicle at a time when it is being driven for police purposes by or under the direction of a constable, or by a person employed by a police authority, or employed by the Receiver, or
 - (c) to a vehicle at a time when it is being driven on a journey to or from any place undertaken for salvage purposes pursuant to Part IX of the Merchant Shipping Act 1894,
 - (d) to the use of a vehicle for the purpose of its being provided in pursuance of a direction under section 166(2)(b) of the Army Act 1955 or under the corresponding provision of the Air Force Act 1955,
 - (e) to a vehicle which is made available by the Secretary of State to any person, body or local authority in pursuance of section 23 or 26 of the National Health Service Act 1977 at a time when it is being used in accordance with the terms on which it is so made available,
 - (f) to a vehicle which is made available by the Secretary of State to any local authority, education authority or voluntary organisation in Scotland in pursuance of section 15 or 16 of the National Health Service (Scotland) Act 1978 at a time when it is being used in accordance with the terms on which it is so made available.

145 Requirements in respect of policies of insurance

- (1) In order to comply with the requirements of this Part of this Act, a policy of insurance must satisfy the following conditions.
- (2) The policy must be issued by an authorised insurer.
- (3) Subject to subsection (4) below, the policy—
 - (a) must insure such person, persons or classes of persons as may be specified in the policy in respect of any liability which may be incurred by him or them in respect of the death of or bodily injury to any person or damage to property caused by, or arising out of, the use of the vehicle on a road in Great Britain, and

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- (b) must insure him or them in respect of any liability which may be incurred by him or them in respect of the use of the vehicle and of any trailer, whether or not coupled, in the territory other than Great Britain and Gibraltar of each of the member States of the Communities according to the law on compulsory insurance against civil liability in respect of the use of vehicles of the State where the liability may be incurred, and
 - (c) must also insure him or them in respect of any liability which may be incurred by him or them under the provisions of this Part of this Act relating to payment for emergency treatment.
- (4) The policy shall not, by virtue of subsection (3)(a) above, be required—
- (a) to cover liability in respect of the death, arising out of and in the course of his employment, of a person in the employment of a person insured by the policy or of bodily injury sustained by such a person arising out of and in the course of his employment, or
 - (b) to provide insurance of more than £250,000 in respect of all such liabilities as may be incurred in respect of damage to property caused by, or arising out of, any one accident involving the vehicle, or
 - (c) to cover liability in respect of damage to the vehicle, or
 - (d) to cover liability in respect of damage to goods carried for hire or reward in or on the vehicle or in or on any trailer (whether or not coupled) drawn by the vehicle, or
 - (e) to cover any liability of a person in respect of damage to property in his custody or under his control, or
 - (f) to cover any contractual liability.
- (5) In this Part of this Act “authorised insurer” means a person or body of persons carrying on insurance business within Group 2 in Part II of Schedule 2 to the Insurance Companies Act 1982 and being a member of the Motor Insurers' Bureau (a company limited by guarantee and incorporated under the Companies Act 1929 on 14th June 1946).
- (6) If any person or body of persons ceases to be a member of the Motor Insurers' Bureau, that person or body shall not by virtue of that cease to be treated as an authorised insurer for the purposes of this Part of this Act—
- (a) in relation to any policy issued by the insurer before ceasing to be such a member, or
 - (b) in relation to any obligation (whether arising before or after the insurer ceased to be such a member) which the insurer may be called upon to meet under or in consequence of any such policy or under section 157 of this Act by virtue of making a payment in pursuance of such an obligation.

146 Requirements in respect of securities

- (1) In order to comply with the requirements of this Part of this Act, a security must satisfy the following conditions.
- (2) The security must be given either by an authorised insurer or by some body of persons which carries on in the United Kingdom the business of giving securities of a like kind and has deposited and keeps deposited with the Accountant General of the Supreme Court the sum of £15,000 in respect of that business.

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- (3) Subject to subsection (4) below, the security must consist of an undertaking by the giver of the security to make good, subject to any conditions specified in it, any failure by the owner of the vehicle or such other persons or classes of persons as may be specified in the security duly to discharge any liability which may be incurred by him or them, being a liability required under section 145 of this Act to be covered by a policy of insurance.
- (4) In the case of liabilities arising out of the use of a motor vehicle on a road in Great Britain the amount secured need not exceed—
 - (a) in the case of an undertaking relating to the use of public service vehicles (within the meaning of the Public Passenger Vehicles Act 1981), £25,000,
 - (b) in any other case, £5,000.

147 Issue and surrender of certificates of insurance and of security

- (1) A policy of insurance shall be of no effect for the purposes of this Part of this Act unless and until there is delivered by the insurer to the person by whom the policy is effected a certificate (in this Part of this Act referred to as a “certificate of insurance”) in the prescribed form and containing such particulars of any conditions subject to which the policy is issued and of any other matters as may be prescribed.
- (2) A security shall be of no effect for the purposes of this Part of this Act unless and until there is delivered by the person giving the security to the person to whom it is given a certificate (in this Part of this Act referred to as a “certificate of security”) in the prescribed form and containing such particulars of any conditions subject to which the security is issued and of any other matters as may be prescribed.
- (3) Different forms and different particulars may be prescribed for the purposes of subsection (1) or (2) above in relation to different cases or circumstances.
- (4) Where a certificate has been delivered under this section and the policy or security to which it relates is cancelled by mutual consent or by virtue of any provision in the policy or security, the person to whom the certificate was delivered must, within seven days from the taking effect of the cancellation—
 - (a) surrender the certificate to the person by whom the policy was issued or the security was given, or
 - (b) if the certificate has been lost or destroyed, make a statutory declaration to that effect.
- (5) A person who fails to comply with subsection (4) above is guilty of an offence.

148 Avoidance of certain exceptions to policies or securities

- (1) Where a certificate of insurance or certificate of security has been delivered under section 147 of this Act to the person by whom a policy has been effected or to whom a security has been given, so much of the policy or security as purports to restrict—
 - (a) the insurance of the persons insured by the policy, or
 - (b) the operation of the security,(as the case may be) by reference to any of the matters mentioned in subsection (2) below shall, as respects such liabilities as are required to be covered by a policy under section 145 of this Act, be of no effect.
- (2) Those matters are—

- (a) the age or physical or mental condition of persons driving the vehicle,
 - (b) the condition of the vehicle,
 - (c) the number of persons that the vehicle carries,
 - (d) the weight or physical characteristics of the goods that the vehicle carries,
 - (e) the time at which or the areas within which the vehicle is used,
 - (f) the horsepower or cylinder capacity or value of the vehicle,
 - (g) the carrying on the vehicle of any particular apparatus, or
 - (h) the carrying on the vehicle of any particular means of identification other than any means of identification required to be carried by or under the Vehicles (Excise) Act 1971.
- (3) Nothing in subsection (1) above requires an insurer or the giver of a security to pay any sum in respect of the liability of any person otherwise than in or towards the discharge of that liability.
- (4) Any sum paid by an insurer or the giver of a security in or towards the discharge of any liability of any person which is covered by the policy or security by virtue only of subsection (1) above is recoverable by the insurer or giver of the security from that person.
- (5) A condition in a policy or security issued or given for the purposes of this Part of this Act providing—
- (a) that no liability shall arise under the policy or security, or
 - (b) that any liability so arising shall cease,
- in the event of some specified thing being done or omitted to be done after the happening of the event giving rise to a claim under the policy or security, shall be of no effect in connection with such liabilities as are required to be covered by a policy under section 145 of this Act.
- (6) Nothing in subsection (5) above shall be taken to render void any provision in a policy or security requiring the person insured or secured to pay to the insurer or the giver of the security any sums which the latter may have become liable to pay under the policy or security and which have been applied to the satisfaction of the claims of third parties.
- (7) Notwithstanding anything in any enactment, a person issuing a policy of insurance under section 145 of this Act shall be liable to indemnify the persons or classes of persons specified in the policy in respect of any liability which the policy purports to cover in the case of those persons or classes of persons.

149 Avoidance of certain agreements as to liability towards passengers

- (1) This section applies where a person uses a motor vehicle in circumstances such that under section 143 of this Act there is required to be in force in relation to his use of it such a policy of insurance or such a security in respect of third-party risks as complies with the requirements of this Part of this Act.
- (2) If any other person is carried in or upon the vehicle while the user is so using it, any antecedent agreement or understanding between them (whether intended to be legally binding or not) shall be of no effect so far as it purports or might be held—
- (a) to negative or restrict any such liability of the user in respect of persons carried in or upon the vehicle as is required by section 145 of this Act to be covered by a policy of insurance, or

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- (b) to impose any conditions with respect to the enforcement of any such liability of the user.
- (3) The fact that a person so carried has willingly accepted as his the risk of negligence on the part of the user shall not be treated as negating any such liability of the user.
- (4) For the purposes of this section—
 - (a) references to a person being carried in or upon a vehicle include references to a person entering or getting on to, or alighting from, the vehicle, and
 - (b) the reference to an antecedent agreement is to one made at any time before the liability arose.

150 Insurance or security in respect of private use of vehicle to cover use under car-sharing arrangements

- (1) To the extent that a policy or security issued or given for the purposes of this Part of this Act—
 - (a) restricts the insurance of the persons insured by the policy or the operation of the security (as the case may be) to use of the vehicle for specified purposes (for example, social, domestic and pleasure purposes) of a non-commercial character, or
 - (b) excludes from that insurance or the operation of the security (as the case may be)—
 - (i) use of the vehicle for hire or reward, or
 - (ii) business or commercial use of the vehicle, or
 - (iii) use of the vehicle for specified purposes of a business or commercial character,

then, for the purposes of that policy or security so far as it relates to such liabilities as are required to be covered by a policy under section 145 of this Act, the use of a vehicle on a journey in the course of which one or more passengers are carried at separate fares shall, if the conditions specified in subsection (2) below are satisfied, be treated as falling within that restriction or as not falling within that exclusion (as the case may be).
- (2) The conditions referred to in subsection (1) above are—
 - (a) the vehicle is not adapted to carry more than eight passengers and is not a motor cycle,
 - (b) the fare or aggregate of the fares paid in respect of the journey does not exceed the amount of the running costs of the vehicle for the journey (which for the purposes of this paragraph shall be taken to include an appropriate amount in respect of depreciation and general wear), and
 - (c) the arrangements for the payment of fares by the passenger or passengers carried at separate fares were made before the journey began.
- (3) Subsections (1) and (2) above apply however the restrictions or exclusions described in subsection (1) are framed or worded.
- (4) In subsections (1) and (2) above “fare” and “separate fares” have the same meaning as in section 1(4) of the Public Passenger Vehicles Act 1981.

151 Duty of insurers or persons giving security to satisfy judgment against persons insured or secured against third-party risks

- (1) This section applies where, after a certificate of insurance or certificate of security has been delivered under section 147 of this Act to the person by whom a policy has been effected or to whom a security has been given, a judgment to which this subsection applies is obtained.
 - (2) Subsection (1) above applies to judgments relating to a liability with respect to any matter where liability with respect to that matter is required to be covered by a policy of insurance under section 145 of this Act and either—
 - (a) it is a liability covered by the terms of the policy or security to which the certificate relates, and the judgment is obtained against any person who is insured by the policy or whose liability is covered by the security, as the case may be, or
 - (b) it is a liability, other than an excluded liability, which would be so covered if the policy insured all persons or, as the case may be, the security covered the liability of all persons, and the judgment is obtained against any person other than one who is insured by the policy or, as the case may be, whose liability is covered by the security.
 - (3) In deciding for the purposes of subsection (2) above whether a liability is or would be covered by the terms of a policy or security, so much of the policy or security as purports to restrict, as the case may be, the insurance of the persons insured by the policy or the operation of the security by reference to the holding by the driver of the vehicle of a licence authorising him to drive it shall be treated as of no effect.
 - (4) In subsection (2)(b) above “excluded liability” means a liability in respect of the death of, or bodily injury to, or damage to the property of any person who, at the time of the use which gave rise to the liability, was allowing himself to be carried in or upon the vehicle and knew or had reason to believe that the vehicle had been stolen or unlawfully taken, not being a person who—
 - (a) did not know and had no reason to believe that the vehicle had been stolen or unlawfully taken until after the commencement of his journey, and
 - (b) could not reasonably have been expected to have alighted from the vehicle.
- In this subsection the reference to a person being carried in or upon a vehicle includes a reference to a person entering or getting on to, or alighting from, the vehicle.
- (5) Notwithstanding that the insurer may be entitled to avoid or cancel, or may have avoided or cancelled, the policy or security, he must, subject to the provisions of this section, pay to the persons entitled to the benefit of the judgment—
 - (a) as regards liability in respect of death or bodily injury, any sum payable under the judgment in respect of the liability, together with any sum which, by virtue of any enactment relating to interest on judgments, is payable in respect of interest on that sum,
 - (b) as regards liability in respect of damage to property, any sum required to be paid under subsection (6) below, and
 - (c) any amount payable in respect of costs.
 - (6) This subsection requires—
 - (a) where the total of any amounts paid, payable or likely to be payable under the policy or security in respect of damage to property caused by, or arising out of, the accident in question does not exceed £250,000, the payment of any

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sum payable under the judgment in respect of the liability, together with any sum which, by virtue of any enactment relating to interest on judgments, is payable in respect of interest on that sum,

- (b) where that total exceeds £250,000, the payment of either—
 - (i) such proportion of any sum payable under the judgment in respect of the liability as £250,000 bears to that total, together with the same proportion of any sum which, by virtue of any enactment relating to interest on judgments, is payable in respect of interest on that sum, or
 - (ii) the difference between the total of any amounts already paid under the policy or security in respect of such damage and £250,000, together with such proportion of any sum which, by virtue of any enactment relating to interest on judgments, is payable in respect of interest on any sum payable under the judgment in respect of the liability as the difference bears to that sum,

whichever is the less, unless not less than £250,000 has already been paid under the policy or security in respect of such damage (in which case nothing is payable).

- (7) Where an insurer becomes liable under this section to pay an amount in respect of a liability of a person who is insured by a policy or whose liability is covered by a security, he is entitled to recover from that person—
 - (a) that amount, in a case where he became liable to pay it by virtue only of subsection (3) above, or
 - (b) in a case where that amount exceeds the amount for which he would, apart from the provisions of this section, be liable under the policy or security in respect of that liability, the excess.
- (8) Where an insurer becomes liable under this section to pay an amount in respect of a liability of a person who is not insured by a policy or whose liability is not covered by a security, he is entitled to recover the amount from that person or from any person who—
 - (a) is insured by the policy, or whose liability is covered by the security, by the terms of which the liability would be covered if the policy insured all persons or, as the case may be, the security covered the liability of all persons, and
 - (b) caused or permitted the use of the vehicle which gave rise to the liability.
- (9) In this section—
 - (a) “insurer” includes a person giving a security,
 - (b) “material” means of such a nature as to influence the judgment of a prudent insurer in determining whether he will take the risk and, if so, at what premium and on what conditions, and
 - (c) “liability covered by the terms of the policy or security” means a liability which is covered by the policy or security or which would be so covered but for the fact that the insurer is entitled to avoid or cancel, or has avoided or cancelled, the policy or security.
- (10) In the application of this section to Scotland, the words “by virtue of any enactment relating to interest on judgments” in subsections (5) and (6) (in each place where they appear) shall be omitted.

152 Exceptions to section 151

- (1) No sum is payable by an insurer under section 151 of this Act—
 - (a) in respect of any judgment unless, before or within seven days after the commencement of the proceedings in which the judgment was given, the insurer had notice of the bringing of the proceedings, or
 - (b) in respect of any judgment so long as execution on the judgment is stayed pending an appeal, or
 - (c) in connection with any liability if, before the happening of the event which was the cause of the death or bodily injury or damage to property giving rise to the liability, the policy or security was cancelled by mutual consent or by virtue of any provision contained in it, and also—
 - (i) before the happening of that event the certificate was surrendered to the insurer, or the person to whom the certificate was delivered made a statutory declaration stating that the certificate had been lost or destroyed, or
 - (ii) after the happening of that event, but before the expiration of a period of fourteen days from the taking effect of the cancellation of the policy or security, the certificate was surrendered to the insurer, or the person to whom it was delivered made a statutory declaration stating that the certificate had been lost or destroyed, or
 - (iii) either before or after the happening of that event, but within that period of fourteen days, the insurer has commenced proceedings under this Act in respect of the failure to surrender the certificate.
- (2) Subject to subsection (3) below, no sum is payable by an insurer under section 151 of this Act if, in an action commenced before, or within three months after, the commencement of the proceedings in which the judgment was given, he has obtained a declaration—
 - (a) that, apart from any provision contained in the policy or security, he is entitled to avoid it on the ground that it was obtained—
 - (i) by the non-disclosure of a material fact, or
 - (ii) by a representation of fact which was false in some material particular, or
 - (b) if he has avoided the policy or security on that ground, that he was entitled so to do apart from any provision contained in it.
- (3) An insurer who has obtained such a declaration as is mentioned in subsection (2) above in an action does not by reason of that become entitled to the benefit of that subsection as respects any judgment obtained in proceedings commenced before the commencement of that action unless before, or within seven days after, the commencement of that action he has given notice of it to the person who is the plaintiff (or in Scotland pursuer) in those proceedings specifying the non-disclosure or false representation on which he proposes to rely.
- (4) A person to whom notice of such an action is so given is entitled, if he thinks fit, to be made a party to it.

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153 Bankruptcy, etc., of insured or secured persons not to affect claims by third parties

- (1) Where, after a certificate of insurance or certificate of security has been delivered under section 147 of this Act to the person by whom a policy has been effected or to whom a security has been given, any of the events mentioned in subsection (2) below happens, the happening of that event shall, notwithstanding anything in the Third Parties (Rights Against Insurers) Act 1930, not affect any such liability of that person as is required to be covered by a policy of insurance under section 145 of this Act.
- (2) In the case of the person by whom the policy was effected or to whom the security was given, the events referred to in subsection (1) above are—
 - (a) that he becomes bankrupt or makes a composition or arrangement with his creditors or that his estate is sequestrated or he grants a trust deed for his creditors,
 - (b) that he dies and—
 - (i) his estate falls to be administered in accordance with an order under section 421 of the Insolvency Act 1986,
 - (ii) an award of sequestration of his estate is made, or
 - (iii) a judicial factor is appointed to administer his estate under section 11A of the Judicial Factors (Scotland) Act 1889,
 - (c) that if that person is a company—
 - (i) a winding-up order or an administration order is made with respect to the company,
 - (ii) a resolution for a voluntary winding-up is passed with respect to the company,
 - (iii) a receiver or manager of the company's business or undertaking is duly appointed, or
 - (iv) possession is taken, by or on behalf of the holders of any debentures secured by a floating charge, of any property comprised in or subject to the charge.
- (3) Nothing in subsection (1) above affects any rights conferred by the Third Parties (Rights Against Insurers) Act 1930 on the person to whom the liability was incurred, being rights so conferred against the person by whom the policy was issued or the security was given.

154 Duty to give information as to insurance or security where claim made

- (1) A person against whom a claim is made in respect of any such liability as is required to be covered by a policy of insurance under section 145 of this Act must, on demand by or on behalf of the person making the claim—
 - (a) state whether or not, in respect of that liability—
 - (i) he was insured by a policy having effect for the purposes of this Part of this Act or had in force a security having effect for those purposes, or
 - (ii) he would have been so insured or would have had in force such a security if the insurer or, as the case may be, the giver of the security had not avoided or cancelled the policy or security, and
 - (b) if he was or would have been so insured, or had or would have had in force such a security—

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- (i) give such particulars with respect to that policy or security as were specified in any certificate of insurance or security delivered in respect of that policy or security, as the case may be, under section 147 of this Act, or
 - (ii) where no such certificate was delivered under that section, give the following particulars, that is to say, the registration mark or other identifying particulars of the vehicle concerned, the number or other identifying particulars of the insurance policy issued in respect of the vehicle, the name of the insurer and the period of the insurance cover.
- (2) If without reasonable excuse, a person fails to comply with the provisions of subsection (1) above, or wilfully makes a false statement in reply to any such demand as is referred to in that subsection, he is guilty of an offence.

155 Deposits

- (1) Where a person has deposited a sum with the Accountant General of the Supreme Court under section 144 or 146 of this Act, then, so long as any liabilities incurred by him, being such liabilities as are required to be covered by a policy of insurance under section 145 of this Act, have not been discharged or otherwise provided for, no part of that sum shall be applicable in discharge of any other liabilities incurred by him.
- (2) Any regulations made, or having effect as if made, by the Secretary of State or the Board of Trade under section 20 of the Insurance Companies Act 1958 which apply to deposits made by insurers carrying on motor vehicle insurance business shall, with such necessary modifications and adaptations as, after consultation with the Lord Chancellor, may be prescribed, apply to deposits made with the Accountant General under section 144 or 146 of this Act.
- (3) Such provision as might be made by the Secretary of State or the Board of Trade under section 20 of the Insurance Companies Act 1958 with respect to deposits under that Act may, after consultation with the Lord Chancellor, be made by regulations with respect to deposits made with the Accountant General under section 144 or 146 of this Act.

156 Power to require evidence of insurance or security on application for vehicle excise licence

Provision may be made by regulations under section 37 of the Vehicles (Excise) Act 1971 for requiring a person applying for a licence under that Act in respect of a motor vehicle to produce such evidence as may be prescribed that either—

- (a) on the date when the licence comes into operation there will be in force the necessary policy of insurance or the necessary security in relation to the use of the vehicle by the applicant or by other persons on his order or with his permission, or
- (b) the vehicle is a vehicle to which section 143 of this Act does not apply at a time when it is being driven under the owner's control.