

David Prosser: On alert for Equitable backsliding

Wednesday, 16 June 2010

Outlook Oh dear. Just a month after the Government raised the hopes of the long-suffering victims of the Equitable Life scandal that justice might finally be theirs, with the coalition agreement explicitly promising a speedy compensation settlement, fears are growing that the deal on offer may not be quite as attractive as suggested.

EMAG, the victims' action group, puts the cost of full compensation for all those affected by the collapse of Equitable at around £4.7bn. It fears that the Treasury is going to veto any settlement that offers more than £1bn, the equivalent of just 20p in the pound for savers who lost money.

If that suspicion proves right – and the Government wasn't falling over itself to contradict EMAG yesterday – it would be a cruel trick. It was a surprise to see the coalition agreement addressing something as specific as the Equitable situation, but the assumption amongst savers since then has been that the Government would not have brought the issue up had it not intended to substantially improve on its predecessors' offers of redress.

Since then, moreover, the case of the Equitable victims has actually been strengthened. Last week, the accounting regulators published a final adjudication against Ernst & Young, Equitable's auditor, fining it £500,000 for its role in the affair. Further proof that it was a regulatory failure that let down Equitable's members.

For now, we must give the Government the benefit of the doubt, since we haven't had a definitive offer. But having dangled a deal in front of Equitable savers, who have, after all, been waiting 10 years for recompense, this is shaping up to be an early test of the coalition's integrity.

Daily Telegraph 16 June 2010

Equitable victims fear £4bn Treasury 'ambush'

Campaign fighting for victims of the Equitable Life scandal have rounded on the coalition Government, warning that a "Treasury-inspired ambush" could cost policyholders almost £4bn.



Former Bond girl Honor Blackman protests with pensioners outside parliament in London

The Equitable Members Action Group (EMAG), which represents policyholders who lost billions in the pension provider's near-collapse in 2000, said it believed the Government was planning a "huge reduction" in the compensation offered to victims. The warning came after ministers failed to give reassurances over the calculations for the final amount due.

EMAG claims the losses incurred by the victims reached £4.67bn. This was the figure published in Parliamentary Ombudsman Ann Abraham's report into the scandal in 2008.

However, the group claims the Treasury could lower the payment to £1bn by "rebranding" the cheaper ex-gratia scheme proposed by the last administration. The Coalition had agreed to uphold proposals originally outlined by the Ombudsman, recommending substantial compensation for more than a million policyholders.

"Given the Treasury's continuing refusal to make public the calculations of [the actuary] and the many unrealistic assumptions they have been briefed to make, our suspicion is that what they are doing is nothing better than a work of fiction designed to come up with the number the Treasury intended in the first place," said Paul Braithwaite, a spokesman for EMAG.

"We are deeply disturbed by the gulf between the expectations raised by the Government's promise and what appears to be going on at the Treasury."

In a letter to MPs, EMAG added that Equitable victims should "not be first in line to shoulder the whole burden" of Government cuts.

"If health, education, civil service pensions, local government salaries are to be subject to cuts, then one might expect us to shoulder part of the burden by accepting the same percentage cut as other spending commitments – but robbing 80pc from the compensation due to one million Equitable Life victims would be an outrage."

The Treasury did not comment.



Jeff Salway: Façade crumbles

Published Date: 17 June 2010

By Jeff Salway

WHEN the coalition government pledged in its early days last month to compensate fully victims of the Equitable Life scandal, my instinctive reaction was that it should be taken with a pinch of salt. Sadly, it looks like there was good reason for cynicism.

To recap briefly, the UK government said it would set up an independent scheme in which non-means-tested redress would be paid to former and existing policyholders and the dependants of those who had died.

That would be a distinct improvement on the means-tested compensation lined up by the previous government. But with a cost that could reach £5 billion, it seemed inevitable that the government would find ways to cut the cost of the compensation. The Equitable Members Action Group now believes the Treasury is preparing to offer victims just 20p in the pound, cutting the compensation pay-out from an estimated £4.6bn to just £1bn.

Shocking as such backtracking would be, it promises to be a theme of the coming weeks as the façade presented by the new government gradually crumbles.

Citybriefing

Warning on Government's Equitable Life compensation

THE Government may restrict compensation to Equitable Life policyholders to "20p in the pound" due to Treasury pressure, policyholders have been warned, **writes Simon Bain.**

Equitable Members Action Group (Emag) has told its 23,000 members that the current Government appears to be ready to use actuarial work commissioned under the last Government to justify a £1bn pay-out.

Emag says 380 MPs signed up before the election to back the recommendations of the parliamentary ombudsman, whose report implies a compensation figure of £4.7bn. In 2001 the Financial Services Authority estimated the cost at £3bn to £5bn.

The ombudsman also urged the creation of an independent commission to award compensation, but the last Government appointed retired judge Sir John Chadwick to devise a scheme for making ex gratia payments to classes of policyholder who were "disproportionately" affected.

Crucially, actuaries Towers Watson were asked to devise a methodology to compare the performance of Equitable Life to other insurers, but Emag's request to the Treasury to explain the details of the methodology was refused.

The group said: "Emag fears that the work of Sir John Chadwick and the actuaries will be used by the Treasury to justify a huge reduction in the amount of compensation."

Equitable victims fear government may seek cut in compensation

by Iain Martin on Jun 16, 2010 at 09:56

Equitable Life victims fear that a promised payout by the coalition government for the failure of the mutual society may be cut to £1 billion from early £4.6 billion estimates.

The Equitable Members Action Group (EMAG) believes that a report being produced by Sir John Chadwick will be used to justify a lower pay out from the government. The campaigners have written to MPs after failing to secure assurances from ministers over how compensation was being calculated.

'We are deeply disturbed by the gulf between the expectations raised by the government's promise and what appears to be actually going on at the Treasury,' said Paul Braithwaite, secretary general of EMAG. 'If the government offers victims 20p in the pound – there will be outrage.'

The government should drop the Chadwick report because its assumptions were seriously flawed, said Braithwaite, who called for an independent panel to calculate compensation.

Braithwaite and his group are pushing for a payout for the £4.6 billion of losses, which was estimated by the Parliamentary Ombudsman in a 2008 report. Equitable victims recognised government finances were under serious pressure and would accept a reduced payout but compensation had to be calculated fairly, said Braithwaite.

MoneyMarketing

Equitable victims fear Government's compensation pledge may be slashed

17 June 2010 | By [Nicole Blackmore](#)

The Equitable Members' Action Group has questioned the Government's promises of fair compensation after reports that the Treasury may cut compensation levels to £1bn.

EMAG points to the £4.67bn of losses for Equitable Life investors published by the Parliamentary Ombudsman in her 2008 report.

It fears the Treasury will use the work of Sir John Chadwick to justify a huge reduction in the amount of compensation.

In March, EMAG withdrew from working with Chadwick's review of compensation for policyholders, labelling his work "a Treasury stitch-up".

EMAG general secretary Paul Braithwaite says: "We are deeply disturbed by the gulf between the expectations raised by the Government's promise and what appears to be actually going on at the Treasury. If the Government offers victims 20p in the pound, there will be outrage."

In a letter sent to MPs, EMAG argues that if cuts have to be made to Government spending now, it should be a percentage across the board and Equitable Life victims should not be first in line to shoulder the whole burden.