

Equitable Life

11 am

Jo Swinson (East Dunbartonshire) (LD): I am glad to have the opportunity to lead this debate on Equitable Life. There can be few hon. Members, if any, who have not been contacted by constituents affected by the Equitable Life saga. Given the scale of interest, I am pleased but not surprised to find myself so popular in Westminster Hall today. It is good to see such a high turnout.

When Equitable Life was forced to default on its obligations to policyholders in 2000, we saw the breakdown of the world's oldest mutual life insurer—a humiliating moment for a venerated institution. The shockwaves caused by the failure of a body as huge as Equitable Life are considerable. The report of the parliamentary ombudsman, Ann Abraham—"Equitable Life: a decade of regulatory failure"—is the 13th such report to be published. The post-mortems that have taken place over the past eight years have found fault with this Government and with the preceding Conservative Government. Beyond the blame games, however, one thing is clear: Equitable Life policyholders continue to press their case in the hope of seeing justice done.

Bob Spink (Castle Point) (Ind): The hon. Lady has brought an important subject to the House before it prorogues, so I congratulate her. Is she aware that some Equitable Life policyholders are elderly pensioners, who will die before they can see justice done? Does not that place a new sense of urgency on the Government to act?

Jo Swinson: The hon. Gentleman is quite right that the issue is urgent. In fact, 30,000 policyholders have already died since 2000 and the situation gets worse every week that goes by. It is incumbent on the Government to make a swift response to the report.

In opening today's debate, I will highlight the Government's cynical tactic of delay on Equitable Life and their responsibility to support the role of the parliamentary ombudsman. I will also look at the case for Equitable Life compensation in the context of the bank bail-outs.

The ombudsman's report contains 10 findings of maladministration—against the Department of Trade and Industry, the Government Actuary and the Financial Services Authority—and makes two recommendations: that a full apology should be given to policyholders and that

"the Government should establish and fund a compensation scheme".

The language used in the report pulls no punches, and its recommendations are clear, precise and straightforward.

Mark Williams (Ceredigion) (LD): I pay tribute to my hon. Friend for securing the debate. Does she agree that it is even more timely, given the support that the Government have given to individual savers in the Icelandic banks, which, while laudable, has compounded the sense of bewilderment among victims of Equitable Life?

Jo Swinson: My hon. Friend makes a good point, which I shall come to later. The Government have spent years adopting a siege mentality towards Equitable Life, but the ombudsman has shown that they cannot hide for ever. Ministers must now accept the ombudsman's recommendation that wrongs should be remedied.

Mr. David Heath (Somerton and Frome) (LD): Does my hon. Friend agree that this is a matter not only of justice for those who have lost money through the Equitable Life debacle, but of the credibility of the ombudsman? If the Government cannot respond to such clear direction from the ombudsman, there is little point in having an ombudsman and we should accept that the whole system is defunct.

Jo Swinson: My hon. Friend is absolutely right; the very credibility of the ombudsman is at stake here.

Daniel Kawczynski (Shrewsbury and Atcham) (Con): That is exactly the point that I wanted to make—about the credibility of the ombudsman. I congratulate the hon. Lady on securing the debate. Will she agree to lead a delegation of cross-party MPs to meet with the ombudsman and show him the extent of feeling on the issue in the House? I should say, her.

Jo Swinson: I would very much like to lead such a delegation to the ombudsman—Ann Abraham. I also— [Interruption.]

Mr. Jim Hood (in the Chair): Order. I know that there is great interest in the debate and a lot of hon. Members are in attendance, but I hope that hon. Members will restrain themselves and allow the hon. Lady who has secured the debate to make her case without putting her off with comments or laughter.

Jo Swinson: Thank you, Mr. Hood. Before I move on, I would like to pass on the apologies of my hon. Friend the Member for Richmond Park (Susan Kramer), who cannot be here today due to a long-standing constituency engagement. The Minister will know that she has taken a keen interest in this matter. She made what I thought was a sensible request for him to agree to a meeting with a group of hon. Members who have a large number of Equitable Life cases involving constituents to allow them to put their thoughts to him. I hope he will respond positively to that request.

The Government's response to Equitable Life is overdue, not only in terms of the parliamentary ombudsman's report, which they said they would reply to this autumn, but in terms of time. It is nearly eight years overdue, because ever since Equitable Life came near to collapse in 2000, they have tried to put off, postpone, defer and delay the actions needed to bring this sorry saga to a close. As I have already mentioned, Ann Abraham's latest report is the 13th report on Equitable Life since 2001. We have heard from the Treasury Committee, Lord Penrose, the Corley Institute of Actuaries, the European Parliament and many more. And still, the Government have failed to act to help Equitable Life policyholders, despite now facing a charge of maladministration from the ombudsman.

Lord Penrose was handed the task of reporting on Equitable Life, but was given terms of reference that prevented him from finding anyone to blame. That was an opportunity missed for closure on the case. Furthermore, when the then Financial Secretary, the right hon. Member for Bolton, West (Ruth Kelly), made a statement in the House on the publication of Lord Penrose's response, she made a point of the fact that the report did not blame regulators or recommend compensation, despite being fully aware that those were outside the terms of reference given to Lord Penrose.

Again, the Government tried to wriggle out of taking responsibility for dealing with the situation. Far from bringing closure, the Penrose findings prompted the ombudsman to seek to change the law so that she could pursue a more thorough, wide-ranging report, going back much further than her initial investigation.

Ann Abraham initially stated that she hoped to complete her investigation by 2005, but the report took four years to produce. That was not helped by Government obstruction. In 2006, the ombudsman revealed that she had been delayed by nine months, waiting for the Department for Work and Pensions to comply with requests for information. Surely, that is unacceptable.

After a long wait, the ombudsman's report arrived in July. The Government promised to reply by the autumn, and when pressed on that at business questions, the

Leader of the House said:

"The parliamentary ombudsman took four years to construct her report and, as the hon. Lady said, the Government have been considering it for four months."—[Official Report, 30 October 2008; Vol. 481, c. 1043.]

That is not quite the full story, however, as a draft copy of the ombudsman's report was issued to all interested parties in February 2008. Assuming that Ann Abraham did not radically alter the conclusions of her four-year work between February and July, the Government have been aware of the report's contents for the best part of a year.

David Taylor (North-West Leicestershire) (Lab/Co-op): I congratulate the hon. Lady on securing this important debate. Is she not surprised that during that four-year period, the ombudsman, who is an inestimable woman, was unable to indicate how any compensation scheme might work or give any indication about the overall cost and where it might fall, and that even simple information such as the number of people affected is not included in that lengthy report? Can the hon. Lady account for those lamentable lapses?

Jo Swinson: The hon. Gentleman knows that this is a complex matter and that 55,000 documents were submitted to the ombudsman by Equitable Life alone. Her task was to find where the blame lay and what should happen next. I believe that it is up to the Government to deal with the details of finding out how to implement such a compensation scheme and assessing how much should be paid to each individual. Every individual will have lost a different amount.

Jeremy Wright (Rugby and Kenilworth) (Con): I am grateful to the hon. Lady for giving way and I add my congratulations to her on securing the debate. Does she agree that those who have suffered as a result of this saga would probably be prepared to accept, as does the ombudsman, that the full measure of their loss is unlikely to be repaid to them, but that what they find impossible to understand is why some measure of compensation could not have been worked out by now and paid to them by the Government, who should accept their responsibility?

Jo Swinson: Certainly the Government need to accept their responsibility. The timetable laid out by the ombudsman is that the entire affair should be done and dusted in a little over two years, which most people would see as a fairly swift outcome, given that there has already been eight years of waiting. We all want to hear whether the Government will take the recommendations on board.

Mrs. Caroline Spelman (Meriden) (Con): There are many Members here today, and we are grateful to the hon. Lady for giving us this opportunity to speak for constituents who have lost out.

Further to the point about the level of compensation, is it not ironic that this is the day after the Government were able to make such a huge amount of money available in the pre-Budget report? Comparing the compensation that we are talking about with the amount of money that the Government were prepared to throw at their problems yesterday, it seems even more incomprehensible that they cannot find it within themselves to create a compensation scheme.

Jo Swinson: The hon. Lady is quite right. In fact, she anticipates my next point.

Another opportunity to respond was missed in yesterday's pre-Budget report. The Chancellor found money for a £12 billion cut in VAT and for borrowing at record levels, but again failed to address the situation faced by Equitable Life policyholders. Sadly, unless the Minister has something considerable up his sleeve, I doubt that we will be stunned by far-reaching new comments today.

One reason why I was so pleased to secure the debate was that the Government have been reluctant to discuss Equitable Life in the House. Before the summer recess, the Liberal Democrats tried for three consecutive days in July to secure an urgent debate on the matter. For three consecutive days, our request was denied. Now, finally, we can have a debate, although it strikes me that one of the issues up for discussion ought to be the definition of "autumn" to which the Government officially adhere.

Most people judge the seasons by calendar months, so autumn is September, October and November. Technically, there are still a few days to go, but with House business already programmed, there is no sign that the Government will meet their deadline. Incidentally, in addition to the Equitable Life response, MPs' expenses were also due to be published this autumn, but we now hear that publication may not be before next July.

Does the Government's definition of autumn also apply to Equitable Life? Given that they seem to have such bizarre definitions of the seasons, perhaps they might issue their own calendar so that we know where we stand. Better still, the Government could end the delay now by accepting the ombudsman's recommendations in full and delivering a Christmas present to all those who have been affected.

Mr. Edward Garnier (Harborough) (Con): I congratulate the hon. Lady on securing the debate. I declare an interest as a person who has lost much and will, no doubt, lose more as a result of the Government's handling of the issue. Why is she surprised by their fiddling with the calendar, as they seemed to redesign the dates for the beginning and the end of the economic cycle? Surely, it is all part of a pattern. The cheapest thing they could do, which they will not, is simply apologise.

Jo Swinson: The hon. and learned Gentleman is right to say that an apology should be forthcoming. The Minister could make a start on that today.

The Government's tactic of delay has backfired. The result is a clear, comprehensive report by Parliament's own referee, which contains two simple recommendations that must not be ignored.

Also, as was pointed out earlier, we should not forget that 30,000 Equitable Life policyholders have died since the events of 2000. For those people, it is already too late: justice delayed has been justice denied.

Mr. Brian H. Donohoe (Central Ayrshire) (Lab): I congratulate the hon. Lady on securing the debate. She has not yet mentioned letters from the ombudsman and the Treasury. I have every sympathy with those who have been affected. The ombudsman stated in her letter:

"I have suggested that this scheme to remedy relative losses suffered by those who have complained to me, and those in a similar position to those complainants, should be established within six months of any decision by Government and Parliament to do so."

Mr. Jim Hood (in the Chair): Order.

Mr. Donohoe: The ombudsman went on:

"Once established, the scheme should take no more than two years to complete its work."

Surely that should be the centre of our considerations.

Mr. Jim Hood (in the Chair): Order. The hon. Gentleman must resume his seat. Interventions should be short.

Jo Swinson: Thank you, Mr. Hood. Regardless of any compensation scheme for relatives, it is plainly obvious that justice for policyholders who have died is no longer possible.

According to the ombudsman, the fallout from Equitable Life could have been mitigated if action had been taken earlier. She states that

"there were lost opportunities to address critical issues earlier".

No more delays, no more dodging the issue—the time has come for the Government to face up to their responsibilities to Equitable Life policyholders.

As I mentioned earlier, the Equitable Life case has serious implications for the office of the parliamentary ombudsman. It is in the interest of the health of our democracy that we have an authoritative ombudsman to whom the Government listen and respond, but that is something that Ministers have been reluctant to support.

An exhaustive 18-month investigation by the ombudsman found the Government guilty of mis-selling occupational pensions to 125,000 people who lost their company pensions without warning or any chance to protect themselves. The Public Administration Committee, the European Court of Justice and the High Court judicial review all agreed that the Government should have protected those people's pensions but failed to do so. The Government continued to resist pressure to pay compensation until December last year, when they finally agreed a compensation package of more than £3 billion.

Another of the ombudsman's reports, in June 2007, looked at tax credits. Appropriately entitled "Tax Credits: Getting it wrong?", the report contained severe criticisms of the Government's use of waivers in respect of overpayments, calling them "unfair and inconsistent". The ombudsman sought to correct faults in a system that causes stress and misery for people such as a constituent of mine who was overpaid by £5,300 and then told that the money had to be repaid within 12 months. In spite of the ombudsman's criticisms, the Government continue to defend their over-complex tax credits regime.

Members of the Government have not always had such a frosty relationship with the ombudsman. Compare the cases that I have outlined with the situation when the Prime Minister was in opposition. An ombudsman investigation was instigated by his party into Barlow Clowes, which collapsed in 1988. It was he who argued that the Government of the day should support the ombudsman over charges of maladministration by the Department of Trade and Industry.

When Lord Penrose published his report in 2004, parallels were drawn between Equitable Life and Barlow Clowes. Speaking in the House after publication of the Penrose report on 8 March 2004, the right hon. Member for Bolton, West stated:

"It has been put to us that as the then Government provided redress in the Barlow Clowes case, we should do so with respect to Equitable, but there are major differences between the two cases... In the case of Barlow Clowes, there was a finding of maladministration; for Equitable, there has been no such finding."—[Official Report, 8 March 2004; Vol. 418, c. 1257.]

Now there has been such a finding, how can the Government possibly justify failing to act?

Lorely Burt (Solihull) (LD): However Equitable Life conducted itself in making guaranteed promises in respect of pay-outs, it seems that the charge of maladministration should in fact be for the Government themselves for failing, through all their bodies, to regulate and control the activities of Equitable Life. It is now incumbent on them to act.

Mr. Jim Hood (in the Chair): Order. Interventions should be brief.

Jo Swinson: Many thanks, Mr. Hood. I agree with my hon. Friend. In fact, I think that the title of the ombudsman's report, "Equitable Life: a decade of regulatory failure", makes the point incredibly clearly.

The report is a clear, detailed, high-quality piece of work. Four years of effort have gone into its 2,800 pages, with Equitable Life itself providing more than 55,000 documents to the inquiry. The report uses words such as "maladministration". It calls the DTI "complacent" and sympathises with

"a justifiable sense of outrage"

among policyholders. That is not language that Ministers should ignore. Clearly, the Government's working relationship with the parliamentary ombudsman is dysfunctional if

statements as strong as those do not prompt action. That in itself is a situation that needs to be addressed.

Greg Mulholland (Leeds, North-West) (LD): I thank my hon. Friend for her generosity in giving way. Another strong statement is:

“I have lost more money than I care to think about from my pension due to this deception.”

The person who said that was Gordon Brown—not the Prime Minister, but one of my constituents. Does she agree that that Gordon Brown is a little closer to the truth than the other one?

Jo Swinson: My hon. Friend’s constituent makes the point very well indeed.

My hon. Friend raises an important point, because if the report were to be ignored, people would simply ask, what is the point of the parliamentary ombudsman? The role would be fatally undermined. That would be a sad situation for Parliament, a blow to our democratic system and a shameful state of affairs for this Government to have brought about.

Mr. Oliver Letwin (West Dorset) (Con): Before the hon. Lady moves off the question of the precision that the parliamentary ombudsman brings to the task, does she agree that the most important statement to be made in that respect was that there was at least a period during which the regulators were in knowledge of the problem and purposely did not reveal it to the public?

Jo Swinson: The right hon. Gentleman is right. That is a truly shocking state of affairs.

Mr. John Leech (Manchester, Withington) (LD): Does my hon. Friend agree with the sentiments expressed by Tom Winsor, the former UK rail regulator, who suggested that the Government would take notice and compensate if only a small amount of money was involved, but because the amount is large—£10 billion rather than £10 million—they are not prepared to take any notice of the parliamentary ombudsman?

Jo Swinson: It certainly could be so, although I am not sure whether the figure estimated is as high as the one my hon. Friend uses. Whatever the reason, the Government cannot pick and choose on the findings of the parliamentary ombudsman. Surely, they need to accept the ombudsman’s adjudication on a range of issues, even when they do not like the answer.

The Government are under pressure to pay compensation to the victims of Equitable Life’s near collapse. In one sense, that pressure is entirely of their own making. The bank bail-outs of recent months have left the Government in a position in which it is impossible to justify a refusal to pay compensation. Equitable Life policyholders have been waiting eight years. With the Government guaranteeing savings in Northern Rock and putting a rescue plan together for Icesave investors, practically within a matter of hours, Equitable Life customers have been left asking why they are still waiting.

Of course, some cases require greater urgency and Equitable Life is a special case—it is not the same as the banks that have been bailed out by the taxpayer. But these actions will certainly add to the “justifiable anger” of policyholders referred to by Ann Abraham and that anger will be compounded by the sense that the Government have guaranteed savings that were much more high-risk than those in Equitable Life.

Equitable Life used to have a reputation as the Marks & Spencer of financial institutions. It was seen as a sound place to invest, not a high-risk venture. The same cannot be said of Icesave, which attracted people seeking higher returns on their money, with a higher element of risk. Equitable Life savers are furious to see these higher-risk investments prompt a rapid bail-out by the Treasury.

Ann Abraham has not put a figure on the compensation that should be paid, but the Equitable Members Action Group has calculated that the figure could be around £4.6 billion, which,

incidentally, is the same as the sum required to guarantee deposits with Icelandic banks. In bailing out the banks, the Government have manoeuvred themselves into a corner on Equitable Life. Refusing to pay compensation to Equitable Life savers would be wildly inconsistent with their recent actions.

There are three things that the Minister must do. First, he must respond, not just to me in the debate, but to the ombudsman's report, as promised to Parliament and more than 1 million Equitable Life policyholders. He must stop the delaying tactics and put an end to the years of missed opportunities, policyholders dying without redress and the continuing injustice. If he cannot respond to the report today, he must tell us when he will do so.

Secondly, the Minister must apologise. Ann Abraham is perfectly clear and correct when she talks about a "justifiable sense of outrage" among policyholders. The very least that they deserve is an apology from the Government and an admission that the Government were at fault for the charges laid at their door by the ombudsman.

Thirdly, the Government must set out a credible, transparent and independent process to enter into a dialogue with policyholders over compensation. Redress should happen quickly—the time scale set out by Ann Abraham is two and a half years to complete the process. That way, questions of means-tested hardship funds become irrelevant and justice is done for all.

Anne Milton (Guildford) (Con) rose—

Jo Swinson: I am sorry, but I want to conclude.

I end by reflecting on the impact that this has had on individuals, and I know that the experience of my constituents is mirrored by the experiences of others the length and breadth of this country. The Hunters are a retired couple from Milngavie—Professor Hunter is 86—who have seen the monthly return from their Equitable Life investment drop by half since 2000. Mrs. Hunter spoke of feeling "very let down" and "abandoned" when they lost out. She said they felt that they were "given no support" as the value of their investment plummeted. Even eight years after the event, Mrs. Hunter's feeling of injustice is still apparent. She has been promised a copy of the Hansard report of this debate, which will be in the post as soon as it is printed. I know she would be grateful to read something in the Minister's comments to give her hope that she and her husband will receive an apology and a compensatory sum for this Government's "decade of regulatory failure".

11.24 am

Derek Wyatt (Sittingbourne and Sheppey) (Lab): I, too, congratulate the hon. Member for East Dunbartonshire (Jo Swinson) on securing the debate. I also congratulate the members of the Equitable Members Action Group, whose professionalism is outstanding. They have gone through eight years of waiting and they keep on going, and they have provided us with regular—I would not say "monthly"—updates. I take my hat off to them. Some of them are watching the debate. Well done. Do not give up the fight.

As to why we have not had such a debate before, looking at how many hon. and right hon. Members are attending—probably the most I have seen for a 90-minute Adjournment debate—perhaps it is time that we altered how this place runs. Perhaps 100 signatures from among all of us could bring about a six-hour debate on such crucial issues, rather than one of 90 minutes. Given that the Labour Government established the parliamentary ombudsman, perhaps reports from the ombudsman should be binding on the Government. That is something I believe in having seen the blood on the carpet for the next four years after starting the occupational pension debate with ASW Sheerness in 2003. Eventually, we conceded on every single point. Had we conceded within six weeks of the issue arising, the members—125,000 people—would have settled for 50 per cent. As it was, they got 90 per cent. and we were left with a gap of £8 billion in the Department for Work and Pensions budget. It is the same in respect of Equitable Life: had we addressed the matter earlier, we would not be where we are.

I have just over 500 constituents with Equitable Life pension schemes and the issue affects the most people of any that I have ever dealt with. Of course, those people are all different, which makes the problem harder. Although Ann Abraham has said that it would take two and a half years to deal with, I am afraid that I cannot see compensation being paid that quickly. I ask the Minister to consider a hardship fund and a way of administering that as fast as possible. It is simply not fair to ask people in their late 70s and 80s to wait another two and a half years, by which time they may have died.

In respect of occupational pensions, there was a resolution for widows. I wonder whether the Minister will consider that too. After all, we are talking about people's savings—and their savings have gone. It is tough talking to them. All hon. and right hon. Members have such people in their constituencies.

I do not want to repeat what the hon. Member for East Dunbartonshire has said, because much of it is accurate and I want other hon. and right hon. Members to have their say. But considering the matter as a whole, Equitable Life expanded sixfold in the 1990s—from £5 billion to £30 billion—by voting excessive policy bonuses. How on earth could the board do that? It paid out to retiring policyholders more than had been earned by their investment, so there was a policy lag. How on earth that was not picked up by the regulatory bodies I do not know. As a consequence of it, the policies of current Equitable Life policyholders are not covered by the investments of the past.

Equitable Life tried to change or alter the issue by offering a range of different products. However, when push came to shove, the company closed to new business in December 2000—and here we are, eight years on. The old directors resigned and the good bits of the business were sold off—the offices, the client list, the staff and unit-linked business. The new directors slashed policies by 16 per cent. in July 2001 and put in place a compromise scheme to deal with the guaranteed annuities, but that was not enough. Another 10 per cent. was cut off the value in 2002. By then, the society was entirely invested in fixed-interest stocks and could not take advantage of rising markets. It is now being run down and broken up, as everybody knows.

Despite Lord Penrose and despite the ombudsman, we have done nothing. It is important that the Minister not only responds to some of the accusations made the hon. Member for East Dunbartonshire, and to what all hon. and right hon. Members feel, but considers doing so before the Christmas recess—not on the last day of this part of the House of Commons calendar, but next week or the week after. It is neither reasonable nor fair to leave it much longer.

I know that many hon. Members want to speak, but I ask the Minister to think of the morality of the situation. That is ultimately what the Government said about occupational pensions: they accepted the morality of the argument, but took five years to come to the dance floor and pay up. Will the Minister please tell us that there will be no more delay and that the Government will pay up?

11.30 am

Daniel Kawczynski (Shrewsbury and Atcham) (Con): I congratulate the hon. Member for East Dunbartonshire (Jo Swinson) on securing this important and timely debate. I have received hundreds of letters from my constituents in Shrewsbury highlighting their extraordinary frustration, irritation and deep concerns about the Government's lack of action. For the record, I declare an interest. My mother-in-law is with Equitable Life, and has provided me with information for today's debate.

I want to raise a specific matter with the Minister. With-profit annuitants are a small percentage of the policyholders—only 50,000 in 1 million—but their losses are estimated to be £6.2 billion, which is approximately 60 per cent. of total losses and claims for compensation by all policyholders. Unlike investors, who could have taken their money elsewhere, although admittedly by accepting a market value adjustment, WPAs could not. When they had purchased the annuity, they were locked in. WPAs are retired, old and often

ill, and they cannot supplement their lost income in any way. Will the Government accept that they are a separate class of claimant and ensure that they receive their fair share of any compensation?

The Government's line will almost certainly be to misquote Lord Penrose and to say that the society was

“the author of its own misfortunes.”

Lord Penrose said that, but it was heavily qualified. Why do the Government persist in misquoting him?

The Government will also argue that some losses incurred by policyholders were due to market forces and outside the Government's control. No other comparable pensions company in the world failed at the same time. What was so special about the Equitable Life Assurance Society? Evidently, it cannot have been market forces. If the collapse of ELAS was caused by market forces, why did it fail uniquely?

Andrew Stunell (Hazel Grove) (LD): Does the hon. Gentleman agree that the regulatory system was not fit for purpose when it came to controlling Equitable Life, and does he further agree that the Government have not been fit for purpose in investigating the matter since?

Daniel Kawczynski: I totally concur with the hon. Gentleman. I am particularly impressed that the hon. Member for Sittingbourne and Sheppey (Derek Wyatt), who was a Parliamentary Private Secretary, has shown great courage in raising the issue with the Minister. That shows how, across parties, people feel so strongly.

I shall be brief. The Government will say that, yes, there was misregulation, but that it was only a partial cause of the losses, and that they will pay only a partial amount in compensation. In the case of WPAs, had there not been misregulation, the annuitants would not have bought such annuities. They are unique in that, unlike other sorts of annuity offered by the society, an ever-increasing proportion—up to 50 per cent.—is unguaranteed and can be withdrawn, and indeed was withdrawn in 2002.

Other sorts of annuity, such as guaranteed-level annuities, fixed escalating annuities and index-linked annuities, are all 100 per cent. guaranteed, and the society is legally obliged to set aside funds to meet current and all future obligations. Without that misregulation, WPAs would not have bought such annuities, and their income would have been guaranteed and completely isolated from market forces.

Will the Minister confirm that, in the light of that, no adjustment for market forces or company mismanagement will be applied to the claims for compensation made by the WPAs? The Government will try to argue that there is a limited public purse, that they cannot meet the full claim for compensation and that some form of means-testing should apply so that only the poorest receive any payment. The problem with that logic is that WPAs' losses lie increasingly in the future, and will increase with the passage of time. Thus, someone who fails the means test today might qualify next year or later, but by then it will be too late. That is iniquitous and not warranted.

My final question is, will the Government confirm that they will pay compensation to claimants pro rata, irrespective of their current financial status?

11.35 am

Greg Mulholland (Leeds, North-West) (LD): I congratulate my hon. Friend the Member for East Dunbartonshire (Jo Swinson) on securing this important debate, and I echo my point that it is a great shame that it is taking place in this Chamber and that we have not all had a chance to contribute properly to it. I hope that the huge number of hon. Members here today will encourage the Equitable Members Action Group a little. I join in paying tribute to it for what it has done, and I hope that the debate brings justice a little closer.

I have three charges to level against the Government, who have fallen into three unpleasant habits. First, they have been mealy mouthed. Secondly, they have dragged their heels. Thirdly, they have put their hands over their ears and said, "La, la, la." They have been mealy mouthed because they have not said sorry to start the process. How can they not accept that they should have said sorry many years ago?

The delay has been one of eight years, and there have been 13 reports just about something happening in the future. Finally and most seriously—this point has been made by other hon. Members—they have thought it acceptable to ignore the ombudsman's recommendations. It has been powerfully stated today that that brings the whole system into disrepute, and I hope that that message goes out from this Chamber today.

Mr. David Drew (Stroud) (Lab/Co-op): I want the matter to be settled, because I have constituents involved, as have all other hon. Members. I congratulate the hon. Member for East Dunbartonshire (Jo Swinson) on securing the debate. However, it is fair to say that the problems started in the early 1990s, and we must make it clear that the real blame lies with the management and the regulator at that time, who should have picked up the problems far more quickly. Does the hon. Gentleman accept that although what happened subsequently was wrong, we should examine the history and learn some lessons from it?

Greg Mulholland: I think we all agree that what happened in Equitable Life was, to use a simple phrase, a dog's breakfast, which was very much the fault of senior management, but our job is to scrutinise the Government. The Government failed to regulate properly and have not adequately responded. That is the point, not what happened years ago. I agree that successive Governments have been involved, but that is no justification for the Government dragging their heels in recent years.

Mr. Alan Reid (Argyll and Bute) (LD): Does my hon. Friend agree that the regulator is the responsibility of the Government, and that if they do not pay compensation in this case, there will be implications for regulation in every other industry? People will lose confidence in regulators if the Government are not shown to be responsible in this case?

Greg Mulholland: Absolutely. My hon. Friend makes an important point. There is a lack of confidence in the regulatory framework, which can only be made worse by this sort of process.

What the vast majority of hon. Members are calling for loud and clear is the Government setting out a credible, transparent and independent process to enter into dialogue with policyholders to talk about compensation and explain how the ombudsman's authority can be re-established, because it has clearly been undermined.

Anne Milton (Guildford) (Con): I thank the hon. Gentleman for giving way; he is being very generous. Does he agree that it is not so much the history that matters now, and that what matters to policyholders in my constituency is their future? They have been waiting far too long. There will be time to go over the history of what happened—why and so on—but what matters now is that people receive the compensation for which they have waited far too long. I sincerely hope that the Minister will take note of the questions that have been asked, and not hedge any of them, because policyholders in my constituency will be angry if they do not receive clear answers.

Greg Mulholland: Of course the point is about individuals. It is important to remember that we are talking about individual people and the effect that this matter has on their lives. Let me quote some individuals in my constituency. In a letter to me, Mr. Wilson said:

"I am in my eightieth year and my wife is eighty two, both of us started work at fourteen years of age and never once in our working lives have we asked for, or expected, state hand outs... We do not ask for this now, but justice to right a wrong."

Mr. John Morgan urged all of us in Parliament to call on the Government to do the decent thing before more pensioners die waiting for justice, as so many have done in the past seven years.

Mr. Lewis said:

“Both myself and my wife are two of more than one million Equitable Life victims who lost a substantial amount of our personal pension policy after Equitable closed its doors... I would add that we do not fit the bill as one of the illusory ‘fat cat’ rich professionals that it suits Gordon Brown to characterise Equitable Life investors as being.”

I am sure that we all wish that many other such voices could be heard in the Chamber today. I have many more cases, and there will be many thousands of others that people have raised.

The matter can be rectified—it should have been rectified a long time ago—by the Government finally stopping their delaying tactics and responding to the report.

Annette Brooke (Mid-Dorset and North Poole) (LD): Obviously, justice is important. People have saved and done the right thing, and they are being punished. When confidence in the economy is vital, is it not important that there is confidence in the Government, in savings and, more importantly, in preparing for old age?

Greg Mulholland: Absolutely. The situation in which Equitable Life investors find themselves must be taken into account in the current financial situation.

It is time that the Government fully accepted the recommendations of the ombudsman and opened proper negotiations with Equitable Life savers. Crucially, it is time for the compensation process to start before yet more people die. The Government must stop whistling in the wind, open their eyes and ears, and get their hands out of their pockets so that justice can be done.

11.42 am

Mr. Mark Field (Cities of London and Westminster) (Con): I congratulate the hon. Member for East Dunbartonshire (Jo Swinson) on securing the debate. As she knows, this has been a live issue for a considerable period of time. I spoke about it quite a lot in my first year as a Member of Parliament in 2001–02, not least because one of my constituents, Sir Gordon Downey, was a leading light in the policyholders’ group, and he made contact with me at the time. The issue seemed to die off. There was a lot of debate in the early part of the century, and then again in recent months.

Like many hon. Members, I have been sent letters from 50 or 60 constituents who are desperate to know whether the Government will implement the ombudsman’s recommendations. Some have lost many hundreds of thousands of pounds. Although other losses have been much more modest, they are, none the less, more significant because they are suffered by people living on a fixed income.

The much-delayed report was very comprehensive and made it clear that policyholders should be compensated. After the ombudsman’s rigorous investigations, she gave all the parties concerned ample opportunities to contest her findings. She concluded that the regulators were guilty on 10 separate counts of maladministration. I believe that it is incumbent on the Government to honour that conclusion, because many of the regulatory failings took place on their watch, and to set up a proper compensation scheme.

It is easy to make comparisons with what happened in relation to Northern Rock and the other £37 million bail-out. From the Government’s perspective, I can see that there is a distinction to be drawn between depositors in banks and policyholders in organisations such as Equitable Life. Although I am not suggesting that the two are entirely comparable, I hope that the Minister will have some sympathy with the plight of Equitable Life policyholders. As the hon. Member for Leeds, North-West (Greg Mulholland) said, the matter would have been

treated somewhat differently had it not been for the fact that the pensioners are regarded as mainly a middle class and relatively affluent contingent. I accept that depositors in banks should be treated differently, but what is unacceptable, as the hon. Member for Sittingbourne and Sheppey (Derek Wyatt) pointed out, is the Government's delay in making any decisions in relation to policyholders. Many are dying while waiting for resolution of this sad affair.

I have made my position on the matter clear to the shadow Chancellor. I asked that my party maintains its support for compensation should it be elected to Government. He responded by saying that he has called on the Government to admit their responsibility, issue the apology for which many have called and ensure that a payment scheme is created, which is what the ombudsman has demanded. My hon. Friend also stated that if the Government do not do that, a Conservative Government will do so as a matter of priority.

Mr. Christopher Chope (Christchurch) (Con): That is one of the most significant and helpful comments that has been made during this debate—that an incoming Conservative Government will do the business that the Government seem so reluctant to do.

Mr. Field: I hope that I have made the point forcefully enough, but it has been reinforced by my hon. Friend.

I shall touch briefly on some of the heartfelt comments from one or two of my constituents. Mr. MacDermott of Motcomb street in Belgravia said:

"I cannot claim poverty but I can safely say that at 77, I might well have been happily retired rather than continuing working so as to provide for my wife and two university-aged children."

Mr. Ronald Moss of Westbourne terrace in Bayswater said that he retired in 1996. In the following financial year, his gross monthly retirement income from Equitable Life was £413.82. Exactly 10 years later, the amount had dropped to £194.83, and that was an overwhelmingly large element of the money on which he lived. He is receiving 50 per cent. less in this decade at a time when the standard of living is rising by about 3 per cent. a year.

Mrs. Valerie Walsh of Bedfordbury in Covent Garden said:

"If I had received my full pension pot I would not now be struggling just about the poverty line."

Because she earns that relatively modest amount it is impossible for her to claim any of the housing help and benefits that are available to lots of pensioners.

Mrs. Monica Harkin of Vincent square said that she left the Foreign Office in her mid-40s and was persuaded to transfer a civil service pension to Equitable Life, not in the expectation of a huge pension pot at the end of her 41-year working life but simply because it was a safe and well-run organisation. It has turned out to be a foolish decision. In addition to the pension, she invested a large amount in the society. Her combined losses, which became apparent at the point of her retirement, were astronomical.

I could mention a number of other constituents, but I know that other hon. Members want to speak. Most of the people who have lost out—those who are still alive because many have died during the squabbling—do not have the option of returning to the workplace to make their way in life. They are often in their 60s, 70s or 80s and the Equitable Life money was the most important part of what should have been a relatively relaxed and quiet retirement.

I hope that the Government will consider the issue as a matter of urgency. Figures have been bandied around—a £4.5 billion package has been mentioned. Most Equitable Life policyholders to whom I have spoken are quite realistic about the numbers. They do not expect to get everything back because it is difficult to quantify. None the less, the fact that it is difficult to quantify, as my hon. Friend the Member for Rugby and Kenilworth (Jeremy Wright) pointed out, should not mean that there is no opportunity whatever to obtain some compensation, which is urgently required by many of our constituents.

Mr. Jim Hood (in the Chair): I have come to the end of the list of the hon. and right hon. Members who requested to speak in the debate. Thanks to their brevity, I am minded to take Front Bench speeches at about 12 o'clock. We have room for one or two brief contributions from Members who want to speak but did not put in a letter.

11.49 am

Mr. Brian H. Donohoe (Central Ayrshire) (Lab): I had no intention of speaking this morning, but I want to put on record some of the elements of this case that have been brought to my attention both by the ombudsman herself and by the Treasury. First, however, I congratulate the hon. Member for East Dunbartonshire (Jo Swinson) on obtaining this important debate.

Of course, in discussing the matter, we must also reflect on what else is happening in Government where compensation is the nature of the beast. During the past few years, other eloquent cases for compensation have been made for people who felt aggrieved. I shall mention only one: Farepak. I know that my hon. Friend the Member for North Ayrshire and Arran (Ms Clark) has capably put that case to the House. If every instance of a problem in the private sector were to be relieved by Government compensation, I do not know what risk would be left in the private sector—it would be a big problem for compensation to be almost automatic in the event of the failure of a firm.

Daniel Kawczynski: The hon. Gentleman says that there cannot be compensation in relation to all companies. However, why are the Government compensating people who have deposited in foreign banks in Iceland, but not those who have invested in a reputable British pensions company, such as Equitable Life?

Mr. Donohoe: I have every sympathy with the people affected. Constituents have been to see me and, of course, I have great sympathy with their cases. However, I have to say to the hon. Gentleman that there is, or should be, a calculated risk on the part of any individual who invests their money—particularly, in relation to certain cases that have come to my attention where members have invested on the basis that additional interest rates would be paid because of the calculated risk that they took. People have to accept that and, in the main, they do. Those who are reasonable and have been to see me about the subject seem to have had a fairly clear idea of what they were after. Lots of people realised that they were taking a risk when they made the investment.

I have the following questions for the Minister. When did the matter first come to the Government's attention? Was it in 1997 or were they aware of it before then? In a letter to me from the ombudsman, she says that she was investigating the matter before December 2001, so it seems that the issue has been going on for some time. What was the role of the Financial Services Authority? As far as this and other issues are concerned, was it not the Government who introduced the FSA and were responsible for the introduction of the ombudsman service itself? I am sure that justice must be seen to be done, but people are aggrieved about what has happened.

Anne Milton: Does the hon. Gentleman agree that it is not just about justice being seen to be done but about justice actually being done?

Mr. Donohoe: I say what I say. As far as I am concerned, it is a case of justice being seen to be done and that has to be addressed by the Government themselves.

I have one more point for the Minister. I have a letter from the Under-Secretary of State for Work and Pensions, the hon. Member for Burnley (Kitty Ussher), who was at the time a Treasury Minister. In the letter, she states that the length and complexity of the matter means that the Government will need to consider the report carefully during the summer,

“before giving its response to the House in the autumn”.

The autumn is gone; we need a response soon.

11.53 am

Mr. Andrew Tyrie (Chichester) (Con): I am grateful to the hon. Member for Central Ayrshire (Mr. Donohoe) for being so brief. I congratulate the hon. Member for East Dunbartonshire (Jo Swinson) on her speech. She spoke of a cynical tactic of delay and a siege mentality. That is exactly what we have experienced from the Government. The parliamentary ombudsman herself described it as “iniquitous and unfair” that the Government failed to establish one single good inquiry in 2001. I would like to add some detail to the shocking litany of obstruction that I personally encountered when I was shadow Paymaster General and tried to deal with the issue.

One of the key strategies was, of course, to hold inquiries with restrictive terms of reference—for example, the Penrose inquiry. Unfortunately for the Government, the Penrose report found serious failings by the regulators and serious maladministration.

Another crucial obstacle put in the way of getting to the truth was the attempt to prevent the report we are discussing from ever being published. It is important that the public are reminded that the Government argued that the ombudsman had no statutory authority to investigate the regulatory failure and maladministration found in the Penrose report. That was because the Government Actuary’s Department was not listed as one of the departments for which the ombudsman had oversight. I was surprised by that so, in spring 2004, I consulted the Parliamentary Commissioner Act 1967.

I discovered that the Government could amend the Act by a negative resolution of the House to incorporate the Government Actuary’s Department—in fact, they could do it by a flick of a pen. I immediately wrote to the then Minister, the right hon. Member for Bolton, West (Ruth Kelly) and asked her to do so. I also checked out the matter with the parliamentary ombudsman and went to see her to discuss it. In fact, I went with the hon. Member for North Norfolk (Norman Lamb) and I thank him for his assistance in thinking the matter through.

I received a reply from the right hon. Lady that there would be no point in amending the 1967 Act—I challenged her on that in the House—because the ombudsman could not act retrospectively. My suggestion would, of course, involve retrospection. I found that curious, so I went back to the 1967 Act where I found another clause that permits retrospective investigation by the ombudsman. I raised the matter for a second time on the Floor of the House. Of course, I got a nil return. I am sorry that I have so little time to talk about this, but I would like to thank the hon. Member for Bolton, South-East (Dr. Iddon), I think—[Interruption.] No, I am sorry. It is the hon. Member for Norwich, North (Dr. Gibson).

Dr. Ian Gibson (Norwich, North) (Lab): The hon. Gentleman needs to put some different glasses on.

Mr. Tyrie: I have another pair, but I do not think they will be any help. I particularly thank the hon. Member for Norwich somewhere or other, who helped me to produce an early-day motion. I also thank the hon. Member for Twickenham (Dr. Cable) who is not in the Chamber today and my right hon. Friend the Member for West Dorset (Mr. Letwin) who is—I think I managed to get those constituencies right. I also thank the campaigners for EMAG—the Equitable Members Action Group—and the other pressure groups that have helped enormously. As a result of all that pressure, we were finally able to get the Government to concede and make an amendment to the 1967 Act in relation to inquiries by the parliamentary ombudsman. That is why we have the report we are discussing today.

I acknowledge that the Minister has an unenviable job. He will have to try to justify the unjustifiable—the accumulated detritus left by the previous holders of his job. I understand the difficulty of his position, but I strongly urge him to accept the need for compensation in principle as soon as possible. In particular, I urge him to take account of the plight of the late joiners, who were relying on assurances from the Government and their agencies that Equitable’s finances were okay and that Equitable was sustainable. They joined the organisation at a time when everybody should have known that Equitable was, in fact, in a

parlous state. While the Government were giving those assurances, the Government Actuary's Department was asleep on the job. The report makes that perfectly clear—asleep on the job just about fits the bill for the scale of the maladministration. We cannot go on like this; we must provide a reasonable level of compensation for those who have been so grievously hit. It is iniquitous that we have had to wait since 2001 to get as far as having the report.

I congratulate my hon. Friend the Member for Cities of London and Westminster (Mr. Field) on his excellent speech and his description of the sense of realism that informs so many of the letters we have received. That, too, should be borne in mind by the Minister. People accept that they will not receive full compensation, but they now need—

Ms Katy Clark (North Ayrshire and Arran) (Lab): Will the hon. Gentleman give way?

Mr. Tyrie: I hope that the hon. Lady will accept that I cannot give way because I do not have time.

Will the Minister at least accept that we need some compensation, even if it is not full compensation, for the many tens of thousands of people who have been so badly hit by this maladministration?

[ANN WINTERTON in the Chair]

12 noon

Mr. Jeremy Browne (Taunton) (LD): I congratulate my hon. Friend the Member for East Dunbartonshire (Jo Swinson) not only on securing the debate, but on the masterful way in which she put her case on behalf of many hon. Members from all parties who had the opportunity to hear her speak. However, it is shameful that it took a Liberal Democrat MP to secure the opportunity for us to make the case in a debate on behalf of our constituents, rather than the Government making time available in the main Chamber. As a constituency MP—I know this is true of every MP in the Chamber—I have received dozens and dozens of letters from constituents who are extremely distressed by the circumstances in which they find themselves, and dismayed that the Government have dragged their feet and been unwilling to show greater resolve.

It is worth remembering that it was due to failure of the management of Equitable Life that the company was allowed to get into the position that it did, but it is also right to say that regulatory failure allowed that to happen unhindered by the Government. The Government, through the Department of Trade and Industry, the Financial Services Authority and the Government Actuary's Department, had responsibility for ensuring that the company acted properly and prudently. As has said, there have been 13 reports on the failure of Equitable Life, all of which concluded that the company was not performing satisfactorily in the interests of those who were depositing money with it.

Ms Katy Clark: The hon. Gentleman will be aware that the parliamentary ombudsman described the regulators as “passive, reactive, and complacent”. Does he agree that one lesson that has to be learned from what has happened in this case and much else that we have seen in the financial sector in recent times is that we need far stronger regulation—indeed, we need a culture such that regulators have the confidence to intervene?

Mr. Browne: I take that point. In a way, the case was a dark sign of further regulatory failures to come. The hon. Lady leads me neatly on to the report, which has already been widely discussed, by Ann Abraham, the parliamentary ombudsman. As we were reminded, she entitled her report “Equitable Life: a decade of regulatory failure”. One almost does not need to go any further than the executive summary in the title of the report, because it tells us all we need to know. The hon. Lady said that the DTI's oversight of Equitable Life had been described as “passive, reactive, and complacent”. The ombudsman said that the Government's restrictions on earlier inquiries were “iniquitous and unfair” and that the FSA's regulatory efforts had been

“largely ineffective and often inappropriate”,

and that there was a “justifiable sense of outrage” among policyholders that compensation had not been forthcoming.

Ann Abraham spoke recently before the Select Committee on Public Administration. If you will forgive me, Lady Winterton, I shall give a slightly longer quote. When giving evidence on 30 October, she said—this gets to the nub of the issue—

“The regulators were on the bank watching this pleasure steamer sailing over the edge or towards the edge of Niagara Falls. All of the information was there in front of them, and they could even see this boat taking on more passengers”—

that point was made by the hon. Member for Chichester (Mr. Tyrie)—

“But it was heading for disaster. But somehow, there was a sense, because it was Equitable, they were somehow going to do a miraculous U-turn. There was a sense that this was Equitable and it could not go down.”

Of course, that confidence proved not to be justified. It is an important point that savers were led to believe that they were investing their money in a reputable and safe institution. Some people, including an hon. Member who spoke earlier, might say that they should not have come to that conclusion. Nevertheless, people felt that they were investing their money in a reputable and safe institution, so their shock was all the greater when they found that was not the case.

The Equitable Life fiasco was caused by systemic failures before 1997—it is worth pointing out that there were failures for many years before the difficulty became apparent—but also by political failures since 2000. The behaviour of the Government in delaying taking action has been unacceptable. They must admit their regulatory failures and start to explain how they will negotiate with policyholders. The Minister has a perfect opportunity to do so in today’s debate. The Government have refused to redress the losses on the grounds that they cannot underwrite every company, but policyholders have lost out because of the Government’s failure properly to regulate Equitable Life’s undertakings. I accept that the company should shoulder some of the blame, as should the individuals responsible, but there is no point in having a regulatory system if it fails in its core task of regulating. There must be some accountability if the regulators do not discharge their duties properly.

Mr. Letwin: The hon. Gentleman is now at the nub of the issue. Does he agree that there is a difference in kind between a structural problem with regulation and a case in which regulators know that the thing is going wrong and do not take the steps required to remedy it? Is it not the second case that we are dealing with?

Mr. Browne: I am grateful to the right hon. Gentleman for that extremely helpful intervention. Both the former case, which is less malign but still points to inadequacy on the part of those doing the regulation, and the latter are much to be regretted, and it is worth the Government acting on both, but that is particularly the case if the regulator knows that the situation is worsening, yet people are still allowed to put their money into the organisation. In that case, there is a greater moral failure as well as a regulatory failure.

Equitable Life was seen by our constituents and people throughout the country as a low-risk organisation. It has already been said that the Government have bailed out Northern Rock and Icesave—an organisation that was far more reckless in its practices, or appeared to be to the public who were putting money in, and appeared to be a much higher risk. Equitable Life, however, was largely invested in by people who were instinctively rather cautious. One might say that they typically represented the prudent values of middle England savers and therefore were seeking not to make a quick buck, but to find a refuge for their life savings.

Mr. Heath: Is there not another interesting distinction in respect of the Icelandic banks? I do not think that anyone is suggesting that the British Government had any culpability in the case of the Icelandic banks, yet compensation is apparently payable, but in this case, where the culpability of the regulators and the Government has been clearly shown by the ombudsman, they are reluctant to provide compensation.

Mr. Browne: My hon. Friend makes a brilliant point. It is wholly irrational for the Government to go down the path of compensating depositors with the Icelandic banks but not those who invested in Equitable Life. If the Government refuse to do that, a judicial review sought by the Equitable Members Action Group—during the debate we have heard much praise for its work—will cost the taxpayer much more.

I agree with the point that was made strongly by my hon. Friend the Member for East Dunbartonshire. The Government have shown bad faith again because although they promised to bring this matter before the House and bring it to a head in the autumn, here we are on 25 November—a month from Christmas—and there is no action at all. Had my hon. Friend not secured this debate, we would not have the opportunity to have the Minister before us today.

It is critical that the Government set out a credible, transparent and independent process to enter into dialogue with policyholders about compensation, and ensure that the ombudsman's credibility is not undermined and that her role is strengthened, rather than becoming entirely redundant. The Government have already ignored the ombudsman's reports on tax credits and occupational pensions, so this is my concluding big point: if the Government continue to behave in that way, it will surely have the consequence—unintended perhaps—of deterring people from investing their money in saving schemes for their retirement. It cannot be in our collective interest that people become increasingly reliant on state pension contributions because they do not trust private investments, due to their lack of trust in the regulatory system that underpins them. There is a wider interest for the Government in trying to ensure that people have confidence when saving for their retirement, but there is a more precise moral obligation on the Government to act on behalf of all those who lost money through Equitable Life, through no fault of their own.

12.10 pm

Mr. Mark Hoban (Fareham) (Con): I congratulate the hon. Member for East Dunbartonshire (Jo Swinson) on securing the debate. She clearly set out the case, which has been made time and again, why the regulators let down policyholders in Equitable Life. I also congratulate all the other hon. Members who have taken part in the debate. I particularly mention my hon. Friend the Member for Chichester (Mr. Tyrie); without his hard work and investigation, we would not have an ombudsman's report to debate.

Forcing the Government to accept that the Government Actuary's Department should be included among the bodies that can be investigated by the ombudsman, and ensuring that the remit was retrospective, gave the ombudsman the opportunity to publish a critical, damning and well-thought-through report. The report offers my constituents and those of other hon. Members the justice that they have been seeking for so long; the recognition that they have suffered loss because of regulatory failure; and, above all, closure—that this long-running saga can at last be brought to a close.

In the four months that have passed since the Minister received the ombudsman's report, we have had not one word from the Government in response. In the meantime, the Government have proved their ability to move quickly. For instance, others have mentioned the speed with which the Government acted to protect savers in Icelandic banks. However, when it comes to discussing the ombudsman's report and tackling the problems of Equitable Life, they have been sitting on their hands.

That lack of response implies a desire by the Government to wriggle out of compensating policyholders for what the ombudsman described as a decade of regulatory failure. Why have the Government failed to respond over the last four months? They have seen the report, and

were involved in the process of finalising it. They made their own submissions to the ombudsman over the years, yet they still have not reached a conclusion on how to respond to her findings.

It is time for the Government to respond to the report, to make the apology recommended by the ombudsman and to make payments to policyholders that reflect their losses. They may try to wriggle out of doing so, and they may use Lord Penrose's words and say that Equitable Life was the author of its own misfortunes; but for a decade regulators failed to follow up the warning signs, and their failure to act resulted in opportunities being missed to force management to act properly and avoid the losses suffered by policyholders.

In his report, Lord Penrose was critical of the regulators as well as of Equitable Life. In chapter 19 of his report, he said:

"There was a general failure on the part of the regulators and GAD to follow up issues that arose in the course of their regulation of the Society, and to mount effective challenge of the management."

In chapter 16, he wrote:

"The Treasury remained wholly passive, depending on GAD to initiate any action required...It is difficult to avoid the view that regulation was falling between two stools, the major player in discussions having no regulatory power, and the empowered regulator having little part in the processes that would have instructed regulatory action."

In chapter 17, he stated:

"If GAD or FSA had considered that Headdon's take-up rates could not be justified, one might reasonably have expected discussions before the Society submitted its return. It is difficult to identify good reason for inaction, possibly in the hope that the Society would have changed its mind by the time of the return."

Those three extracts from the Penrose report demonstrate the failure of the regulators to deal with Equitable Life.

The failings found by Lord Penrose flow through to the ombudsman's findings. She found 10 counts of maladministration. They included the regulator's failure to challenge the fact that the same person occupied the roles of chief executive and appointed actuary, the lack of effective scrutiny by the GAD and the fact that the FSA failed to act on behalf of the Treasury from 1998, both before and after the House of Lords decision.

There can be no doubt that if the regulators had performed their role properly during that period, they would have protected policyholders from a management team that put the society and its members at risk. The regulators repeatedly failed to use the information they had to challenge Equitable's management, and each time they failed to challenge management was an opportunity missed. I give one example from the ombudsman's report.

The ombudsman's fourth finding was that the GAD did not question or seek to resolve questions within the society's regulatory returns for each year from 1994 to 1996 relating to four areas. She said:

"One consequence of this failure was that an early opportunity was lost to address the issue of the Society's practice as to reserving for guaranteed annuity rates. Another consequence was that the Society's liabilities were considerably understated."

Understating liabilities and inadequate reserves presented the society in a better light than was appropriate. Instead of ringing the alarm bell, the regulators sat back and let policyholders suffer. That was only one of the many occasions when the regulators could have acted and prevented policyholders from suffering loss.

Having found maladministration and that policyholders had lost as a result, the ombudsman recommended compensation. There is no quick fix to determine how much compensation should be paid, but we accept that because of the maladministration payments should be made. We need to assess the scale of individual losses, but the Government need to move quickly. As we heard earlier, many investors are elderly and we should seek to reach a settlement sooner rather than later, so that they can see that justice has been done.

We also need to recognise that not all the losses suffered by policyholders were due to regulatory failure. At the time of the write-down in policy values in July 2001, other companies were cutting bonus rates because of poor market conditions, so payments should be made to reflect the relative loss that people suffered. As the ombudsman recognised, it is vital that payments made under the scheme should take into account the state of public finances. Although they have deteriorated sharply since she reported four months ago, the financial position of many Equitable Life policyholders will have deteriorated further.

I could go on for longer, but as this is the first opportunity for the Minister to respond to the House on the ombudsman's report, I shall conclude. There is only one step that the Minister has to take today. He has to admit responsibility for the failure, issue the apology demanded by the ombudsman and create the payment scheme that she called for in her report. If the Government fail to do that, we will do it when we are the Government.

12.17 pm

The Economic Secretary to the Treasury (Ian Pearson): I congratulate the hon. Member for East Dunbartonshire (Jo Swinson) on securing the debate. I know from my postbag that the events at Equitable Life are of concern to the constituents of many Members. Indeed, the fact that 30 Members of Parliament have attended today's debate clearly demonstrates the strength of feeling about the issue and its importance.

I do not propose to discuss the situation prior to the issuing of the ombudsman's report, or the criticisms made by some hon. Members that the Government have acted in bad faith or have been dragging their heels—other than entirely to reject those accusations and say that such comments are unfair and uncharitable. However, I shall say something about the period since the ombudsman reported.

I shall summarise the background to the debate. Equitable Life is well known to many Members. Established in 1762 as the world's first mutual life assurance society, it was a major player in the developing market for personal pension and additional voluntary contribution plans during the 1980s and 1990s. The society's products were principally based on its with-profits fund.

Mr. Chope: Will the Minister cut out the guff and get to the point? When will the Government respond to the ombudsman's report?

Ian Pearson: As I shall explain in a few moments, the Government will shortly respond fully to the ombudsman's report.

From the late 1950s until June 1988, Equitable Life sold significant volumes of with-profits policies that included a guaranteed annuity rate. Those policies provided a fixed rate at which the policyholder was entitled to purchase an annuity on the maturity of his or her policy. After that date, all policies were sold without the GAR. During the 1990s, the GAR became increasingly attractive as the income that would be available from an annuity purchased in the market fell, for the first time, below the guaranteed rate, with resulting financial implications for Equitable Life.

Equitable Life's policy of reducing terminal bonus payments to policyholders who exercised those valuable guarantees when purchasing their annuities was tested in the courts as a result of a growing number of complaints from policyholders. In July 2000, the House of Lords found the practice unlawful. In order to meet an estimated liability of £1.5 billion resulting from the judgment, the society decided that it was in the best interests of members to seek a

purchaser. Following Equitable Life's failure to find a buyer, the board of the society announced in December 2000 that the only realistic option open to it was to stop writing new business. The focus of policyholders' concerns has been whether Equitable Life's closure to new business could have been prevented.

Mr. Tyrie: Instead of reading out a summary of what we all know happened—it can be found in the Penrose report, ministerial speeches over the years and, in more detail, in the ombudsman's report—will the Minister get to the point? Perhaps he could read out the last page of his brief and tell us when the Government will respond to the report.

Ian Pearson: The hon. Gentleman has been very active in this matter, but it is right to set out the context. [HON. MEMBERS: "We know the context."] I assure hon. Members that I shall not dwell on it unduly.

Lord Penrose's investigation, published in March 2004, concluded that Equitable Life's own actions ultimately precipitated its financial difficulties in the summer of 2000. Lord Penrose also found regulatory system failures, but concluded that they were secondary. The parliamentary ombudsman's second investigation into the regulation of Equitable Life's with-profits fund, under the Insurance Companies Act 1982 regime, looked exclusively at the role of the prudential regulator and the Government Actuary's Department. Given that the remit of the parliamentary ombudsman, set out in law, is limited to the investigation—

Mr. Crispin Blunt (Reigate) (Con): On a point of order, Lady Winterton. When a Minister continues to repeat previous ministerial speeches and puts on the record matters that are already on the record, at what point do his remarks become repetitious and out of order?

Ann Winterton (in the Chair): The hon. Gentleman has served in the House for a long time and knows perfectly well that that is not a matter for the Chair.

Ian Pearson: Thank you, Lady Winterton. It ill behoves the hon. Gentleman, who has only just entered the debate, to make spurious points of order.

Let me return to the point. [HON. MEMBERS: "Get on with it."] In July, the ombudsman published a substantial report that was the culmination of her four-year investigation, as we heard from hon. Members. I fully understand why, after such a lengthy investigation, Equitable Life policyholders, and Members, are keen to know the Government's response.

Jo Swinson: We are particularly keen because the Government said that they would tell people by the autumn. We are well passed autumn, so when will the Government respond?

Ian Pearson: I shall explain, if the hon. Lady will allow me. She will know that I have been Economic Secretary since September, but the ombudsman produced her report in July, and we have been considering it since then.

Daniel Kawczynski: For the record, will the Minister confirm whether he had discussions with the Chancellor on Equitable Life, and whether he asked the Chancellor to address the issue in yesterday's pre-Budget report?

Ian Pearson: I have had discussions with the Chancellor on Equitable Life and on when we could make a statement in the House. Hopefully, I or the Chief Secretary will make one shortly.

Hon. Members will appreciate the significant factual and technical complexity of the issues investigated by the ombudsman and of the details of her 10 findings. As the House would expect, it has been necessary for the Government to take time to consider the report in detail. Instead of making partisan political points, the Government should get the detail right and respond in a mature and thorough way, which is what we plan to do.

Mr. Drew: I hope the Government will respond expeditiously. What does the Minister think are the costs to which other parties have committed themselves in order to compensate Equitable Life policyholders?

Ian Pearson: My hon. Friend makes a good point. I have not made an estimate of the Conservative party's or Liberal Democrat's positions. I have been trying to focus on how we can reach a decision on all the findings in the ombudsman's report and produce a statement to the House.

Mr. Phil Willis (Harrogate and Knaresborough) (LD): Has the Minister instructed his officials to assess possible compensation payable to Equitable Life policyholders? Part of his final decision, which he will eventually put before the House, will depend on those figures and the Chancellor's agreement. Has he done that investigation?

Ian Pearson: The hon. Gentleman will be aware that it is not Government practice to provide a running commentary on policy discussions with officials.

I have heard calls today for the Government to accept the ombudsman's recommendations, including her central recommendation that the Government should establish and fund a compensation scheme with the aim of restoring policyholders who suffered a relative loss to the position in which they would have been, had the maladministration that she found not occurred. In considering those recommendations, the Government must weigh in the balance the interests of policyholders and taxpayers generally. However, hon. Members will appreciate that, until a decision is announced, I can say little more about the detail of the Government's response, although it has been helpful to hear today the strength of feeling among them.

Mr. Tyrrie: I mean no disrespect to the Minister. I mentioned in my speech what a difficult task he had on his hands replying to a debate on a policy for which he no doubt had no direct responsibility. However, does he not understand that making the kind of speech that he is making, with such blatant and continual obfuscation, tarnishes the respect for politics, politicians and the way we conduct our business in this place? That cannot carry on. He must at least agree to write to us, within a week, with the date on which we will receive the Government's response.

Ian Pearson: I have great respect for the hon. Gentleman, and I hope that he appreciates that neither the Government, nor I today, have been guilty of obfuscation. I am trying to reach a position whereby we can shortly make a ministerial statement to both Houses. It is right that we respond, and we said that we wanted to do so by the autumn. I appreciate that we are getting close to the end of autumn, but we will make the statement very soon. I am sure that hon. Members will want to attend and to ask questions of the Government when we announce details of our full response to the ombudsman.