

EMAG Speech to the Petitions Committee of the European Parliament, 23rd Jan 2008

'Mr President, Members of the Executive and Members of the Committee: I am Paul Braithwaite and with me is Tom Lake. In September 2005 we first appeared before this Committee as petitioners representing EMAG and the victims of the Equitable Life scandal.

On behalf of all the members of EMAG we petitioners thank you for again devoting time to this continuing UK Government cover-up and for your consideration of the disgraceful lack of any substantive response by the UK authorities to the EQUI report.

When the European Parliament debated the EQUI report of the Temporary Committee of Inquiry last June, where more than 600 MEPs voted to adopt it, we felt we were taking part in a small historic advance of the rights of the citizen in Europe. So, for more than one million present and former policyholders, the period since that vote has been a dispiriting one. For the European citizen we have to say that the fruits of your work are still to come.

The UK Treasury's behaviour

The UK Treasury has refused to give its response to the EQUI report, saying that it will await the publication of the Parliamentary Ombudsman's report. This means that the UK Parliament has not considered the Equitable affair since the publication of the Penrose report, almost four years ago.

It is important to realise that the UK Government is in a legal dispute with the Parliamentary Ombudsman on a matter of great constitutional importance. In essence it has argued that the role of the PO is merely advisory to Government Ministers and that the "findings cannot be binding". Were that view to prevail - and the much-delayed Judgement is long overdue - it would confirm that the PO's findings of fact can continue to be rejected by the very department being investigated, as has happened with three recent PO reports.

It is quite clear that the UK Treasury has substantially delayed the investigation into Equitable by the Parliamentary Ombudsman, Ann Abraham, firstly by disputing the issues she is empowered to cover, secondly by revealing a mass of relevant documents it should have supplied at the start of the enquiry, and most recently by issuing a 500-page densely argued response to the Ombudsman's draft report, which it has now had in its possession for more than one year.

We hope that the PO's report will be published before August 2008, four years after she started her investigation and two and a half years later than she had intended - the delay being down to those three major spoiling actions by the Treasury.

The UK Government is telling the European Parliament that "we must wait for the PO's report before responding to EQUI" – that would be more than one year after EQUI was adopted - whilst itself causing that delay in publication and claiming it has no obligation to accept the PO's findings. What duplicity!

It is nothing less than vexatious of the UK Treasury because the PO is blocked from investigating any failures of "conduct of business regulation" nor can she investigate the Financial Service Authority's (FSA) during the last five years, since that body is entirely self-policing. Further, she may not consider EU Law as the Ombudsman's remit is limited domestically to the UK.

The FSA and Northern Rock

In the last six months the FSA has scored another "own goal" by presiding over the first run on a major bank in the UK in 140 years, Northern Rock. In the UK Government's bail-out, it has so far loaned €40bn to the bank and guaranteed €35bn more. Since this has occurred very recently it must be considered a massive failure of the revised "principles-based" and "risk-based" form of regulation which the FSA commends so strongly to Europe as being the best model.

Has the FSA really reformed its regulation and implemented European law in full? Features of this bank crisis are rooted in, and very similar to, the Equitable. The central problems in common are "light touch" regulation and a reticence to take timely action. Under the circumstances, perhaps what the UK needs is a "heavier touch".

Equitable sufferers are understandably embittered at the stark contrast between their quest for justice, which remains unaddressed after seven years, and the protection of Northern Rock's investors having been set up within seven days. Some of those who queued outside Northern Rock were Equitable victims determined not to suffer a further loss of their savings. Thus, the Equitable scandal is central to UK citizens' deep mistrust of assurances by UK regulators. Many people believe the UK Government has saved Northern Rock essentially for selfish political reasons – to protect jobs and votes in its northern stronghold – but at what breath-taking cost to the public purse?

Will the European Commission condone such flagrant favouritism towards a single bank, in apparent contravention of EC Law?

The “end game” for Equitable: Run-off and oblivion

It is EMAG’s view that the Treasury, the FSA, the FOS and the Board of Equitable have for years operated a “concert party” to ensure that the billions in losses that EMAG has argued have been caused by regulatory negligence are borne by all the individual pension savers across Europe.

The board of Equitable, having encouraged as many investors as possible to leave between 2001 and 2006 bearing their full losses, is now moving rapidly towards winding up the world’s oldest mutual life company. In the last year, two big groups of policies have been sold off. What was once a with-profits fund of €40bn is now valued at €9bn. Equitable is openly being offered and may be sold even before the PO’s report is published which would, we suggest, be a great relief to the UK Government.

European context

The UK’s deplorable policy of contempt towards the European Parliament is contrary to the “goodwill” demanded of member state Governments. We have seen no evidence that the UK has responded in any way to the EQUI recommendations that would assist some of the non-UK domiciled Equitable victims.

We continue to harbour strong hopes for the EQUI report’s recommendations on the position of the consumer in future legislation and we urge MEPs to keep up the fight to carry through such provisions, for example in the Solvency II legislation.

Finally, we must point out that, after seven years of delays, increasing numbers of Equitable’s investors are dying whilst waiting for justice.

What EMAG is asking of the Petitions Committee

We are now asking the Committee, working with the European institutions, to consider taking five possible steps to help bring the recommendations of the EQUI report to realisation:

1. That the Commission be asked to act against the UK for defying the Parliament's adopted resolution, in accordance with the obligations arising from Article 4.
2. That this Committee ask the Commission whether the UK should be permitted to continue to take advantage of the single market in financial services through "financial passporting", in the light of its refusal to cooperate with European institutions.
3. That the Committee ask Diana Wallis and Mairead McGuinness to seek an early meeting with the UK Treasury.
4. Given the support of more than 600 MEPs to adopt the EQUI report and given the seven years of delays, the Parliament should seek a commitment from the UK Government that, when published, the Parliamentary Ombudsman's recommendations will be honoured promptly and in full.
5. Would the Parliament, in the light of the UK's non-response, ask the Commission to link its consideration of approval of the bail-out of the Northern Rock bank to a UK commitment to address EQUI and action the PO's recommendations?

EMAG has prepared a much more comprehensive briefing paper, which we are happy to make available to you on request.

Once again, EMAG is asking for help from the European Parliament.
Thank you.'