EMAG press cuttings 16 to 22 May 2011

Daily Mail

Equitable Life victims face more delays and disappointment in fight for compensation

By Ruth Sunderland 16th May 2011

Thousands of victims of the Equitable Life collapse face more delays in receiving compensation for their losses in the failed pension company.

Some 37,000 pensioners will have part of their payments spread out over five years, dashing hopes they were in line for a lump-sum cheque this summer and raising concerns some may die before they receive the full amount.

Details of the complicated compensation scheme were spelled out in a 50-page Treasury document published yesterday.

Sufferers: Equitable Life pensions protesters outside parliament in 2009. The Treasury announced more compensation details yesterday

A sum of £1.5billion will be paid in total to 945,000 victims. The first payments are due to be made by the end of next month, and £1billion will be handed out over the next three years.

But campaigners say 10,000 of the oldest surviving pensioners have been 'callously excluded from compensation' and will receive nothing at all.

And a million victims will remain in the dark on what they will receive for up to a year because the Treasury is sending out letters explaining the awards over a 12 month period. Some will not receive any payments until 2014.

Policyholders have waited more than a decade for compensation after the company came to the brink of ruin in 2000. More than 30,000 have died over that time without receiving a penny because the Labour government resisted all attempts to come to a settlement.

Pressure: Paul Braithwaite, chairman of the Equitable Members' Action Group

A coruscating report in 2008 by the Parliamentary Ombudsman, Ann Abraham, found wholesale maladministration on the part of the previous government and the regulators and recommended compensation should be paid.

The Coalition promised to pay fair redress to policyholders who had lost out. Under its scheme, victims will receive sums equal to 22.4 per cent of the amount they lost, compared with if they had invested with a rival insurer. Campaigners dismissed the £1.5billion payout as ‘woefully inadequate’. The Equitable Members’ Action Group argues victims should share in a total pot of £5-6billion.

Spokesman Paul Braithwaite said: ‘It has taken the Government ten months to come out with a penny-pinching scheme to be eked out over the next five years. Why can’t the victims, who’ve already waited a decade, be paid out their due this year?’

The Treasury admits that policyholders have suffered losses of £4.3billion compared with returns they would have earned with another provider. But it says it is paying a lesser sum due to ‘pressures on the public purse’.

A spokesman added: ‘There has been no delay. We said we would begin paying compensation in June and that is what we are doing. Through spreading the payments we can afford to give people more money.

‘The compensation will cover people who took out policies between 1 September 1992 and 31 December 2000.’

THE INDEPENDENT

Equitable Life compensation will take five more years

By Simon Read

Tuesday, 17 May 2011

Equitable Life investors will start to receive compensation from the end of next month, the Government said yesterday. Some £775m will be paid out to about 945,000 policyholders, while £620m will be shared among 37,000 with-profits annuitants.

However, payments will be spread over five years, which prompted anger from victims of the scandal. Paul Braithwaite, the general secretary of the Equitable Members Action Group, said: "It's taken the Government 10 months to come out with a penny-pinching payment scheme to be eked out over the next five years – why can't the victims, who've already waited a decade, be paid out their due this year?"

He warned that many more annuitants will die before they receive the compensation they are due. The Treasury said all policyholders due a payment would receive a letter before June 2012 telling them how much they will get and approximately when they will receive it. However, those not due anything will not be contacted at all. That includes some 100,000 policyholders whose losses were less than £10, which will be sucked up in administrative costs.

Mark Hoban, the financial secretary to the Treasury, said the payment scheme had been designed "to reflect the principles of fairness, transparency and simplicity". He claimed: "When payments start in the middle of this year, it will be a huge milestone for the policyholders who have waited so many years for the resolution of this matter."

But Mr Braithwaite, whose group has campaigned for more than 11 years for justice for Equitable Life victims, said most of the 950,000 non-pensioner victims "will be stunned when they see how low the Treasury has calculated their losses to be, and further outraged when they see that figure is slashed by about 80 per cent".

The Government has admitted that policyholders suffered "relative losses" of £4.1bn, but decided it could not afford to repay that amount. Only annuity holders will be compensated in full; payments to other investors will amount to less than a quarter of the amount they lost. However, all compensation will be tax-free.

THE INDEPENDENT

David Prosser: Brickbats and a bouquet on Equitable

Just one cheer for the Treasury following yesterday's announcement that it will make the first compensation payments to the victims of the Equitable Life scandal next month. At least this Government is coughing up – the last administration spent the best part of a decade dragging its heels.

Still, the decision to pay people what they are owed in installments, rather than as an upfront lump sum, looks pretty shoddy. One of the worst things about this affair is that so many Equitable victims have died while waiting for a pay-out: making the survivors wait until 2016 to be paid in full will just add to the number of savers denied a complete settlement.

This is not, on any reading, a generous package. The terms of the scheme mean many Equitable savers will miss out altogether. And those who are getting redress will receive substantially less than they lost when the insurer came so close to collapse.

THE TIMES

Treasury's payout plan derided as a 'con job'

Miles Costello

May 17 2011

Equitable Life policyholders clashed with the Treasury yesterday over the timing of £1.5 billion in compensation payments owed to the mutual's long-suffering customers.

The Equitable Members' Action Group accused the Government of a "con job" after the Treasury said that compensation for almost one million policyholders would be staged over the next five years.

Paul Braithwaite, the general secretary of Emag, said: "It's taken the Government ten months to come out with a penny-pinching payment scheme to be eked out over the next five years. Why can't the victims, who've already waited a decade, be paid out their due this year?"

He said that staging the payments was a "cynical exercise" designed to save the Government money, but the Treasury fiercely denied this. It said that it had always planned to pay out compensation over a five-year period to the hundreds of thousands of customers who lost money when the society nearly collapsed in 2000. That way, customers would receive more than if the payments were allocated in a single Budget, the Treasury said.

About 10,000 customers who took out Equitable policies before September 1992 will not be entitled to any compensation payouts, which the Treasury said yesterday would begin by the end of next month.

Mr Braithwaite also said that a Treasury decision not to write to 10,000 customers who will be denied any payouts was "inhumane". He said: "We will not rest until we get those 10,000 put back on the compensation list."

About 950,000 customers will receive just over 22 per cent of their "relative losses" — how much they suffered by investing in Equitable compared with another institution. A further 37,000 "trapped" holders of with-profits annuities who were unable to switch accounts will be compensated in full, in annual payments over their lifetimes.

heraldscotland

Campaigners to carry on fight for Equitable Life settlement

SIMON BAIN

21 May 2011

THE 11-year campaign to win compensation for victims of Equitable Life went back into the Commons this week in a bid to shame MPs into improving the Government's settlement.

The Treasury has devised a payout scheme which will force 37,000 pensioners, many in their 80s, to wait five years to receive their full redress. A further 10,000, who began receiving their annuities before 1992 but still suffered all the fall-out, will receive nothing.

Most victims, up to one million of them, will have to wait up to a year to be told they will in due course receive a payment worth 22% of the losses they suffered by choosing the supposedly regulated but insolvent Equitable Life, rather than a genuinely solvent insurer.

Equitable Members Action Group (Emag), which has 40,000 members and an annual income of over £500,000, said it had met an all-party group of MPs, prompted an early day motion, and relaunched its regional campaign to lobby MPs across the country.

Paul Weir, a consultant to Emag, said: "If you say to somebody who is now 85 we are going to pay you out over a five-year period, an awful lot of them are not going to get that money – it is going to go to their estates. After all this hand-wringing about how we must prioritise the oldest and most frail, they are now messing around with the cash flow."

"Once MPs realise it's not done and dusted, and we are not going away, it will be in their interests to lance the boil"

Philip Strang, 81, said: "I don't know if I can last five years – it's ridiculous."

Mr Strang, of Newton Mearns, said he wondered how the calculations have been made. "I have a rough idea that I should really by this time be getting about £1200 a month, almost double what I am actually getting. But I haven't had a letter – though I have written plenty."

He added: "I am very fortunate, I was quite well-known in the furniture trade and I have actually got a part-time job which I enjoy. That keeps me smiling –at the same time, I wouldn't like to let them off."

But while Mr Strang is at least entitled to full compensation, businessman Peter Metcalf, 60, of East Lothian, had to postpone his retirement by seven years due to shortfalls in his pension fund and will now receive less than a quarter of his losses. He said: "I think the criticism is that when lots of people are getting maybe 90% of what they lost, why are we being chosen to get only 22.5%, based on a figure that we (Emag members) believe is too low anyway?"

Mr Metcalf continued: "The Coalition Government is maintaining they have been acting much faster than Labour, but it is not a case of us wanting any settlement – we want an equitable settlement."

But no settlement at all is the outcome for an 82-year-old woman from Bearsden, whose pension has dropped more than 50% since it started being paid in April 1992 – five months before the Government cut-off date for pensioners to qualify. She told The Herald: "I feel pretty let down. We are the oldest group and the only group which is not going to get any payment – I think it is scandalous."

Mr Weir said it was the Treasury which had excluded the pre-1992 annuitants, despite there being no such recommendation in the official reports. “There is no reason to exclude these people. (Sir John) Chadwick didn’t suggest it, the PO (parliamentary ombudsman) didn’t suggest it. It’s not fair – they lost money.”

He said MPs had been sympathetic to the issue and were going to stage their own meeting to gather more support. “The issue is alive and once MPs realise it’s not done and dusted, and we are not going away, it will be in their interests to lance the boil.”

Emag’s fighting fund will be used to reactivate its local campaigns which two years ago persuaded an astonishing 300 MPs to vote for an early day motion urging the abandonment of the Labour government’s severely restricted compensation plan. The action group’s finest hour was in 2009 when, after judicial review, the High Court ruled that ministers had unlawfully rejected a report by the parliamentary ombudsman urging policyholder compensation. The judgment opened the way for up to one million policyholders to receive at least some redress, but the coalition quickly determined that the squeeze on the public purse meant that less than £1.5bn of the total £4.5bn of losses could be compensated.

Paul Braithwaite, general secretary of Emag, said the compensation letters that were to go to victims would be spread out over 12 months, so many people would be in the dark for at least a year, while some would receive nothing until 2014.

“Emag believes most of the 950,000 non-pensioner victims will be utterly stunned when they see just how low the Treasury has calculated their losses to be, and then further outraged when they see that figure is slashed by about 80%,” he said.

“This cut is totally disproportionate to other public spending cuts of just 19%. We will continue to press for the excluded annuitants to be included and for proper compensation for a million other policyholders.”

THE SCOTSMAN

Teresa Hunter : Paltry payouts on way to Equitable victims

Published Date: 22 May 2011
By Teresa Hunter

ELEVEN years after the collapse of Equitable Life, once considered the UK's finest insurance company, compensation payments are to begin. Millions of savers relied on the company for their pensions, either through individual policies or company arrangements. But the insurer had issued a large number of guarantees via its with-profits fund providing an equivalent return in excess of 12 per cent. When interest rates fell, it could no longer afford to pay them.

Shockwaves rippled through the world of finance when what was the UK's oldest insurer was forced to close its doors in 2000. But as a mutual, policyholders were forced to bridge the gap between what the company had promised and what it could afford t

Both those with guarantees and those without suffered sharp drops in the value of their investments. Policyholders who had not opted for a with-profit investment were also impacted.

They launched a campaign for compensation, claiming that regulators had failed to supervise the company appropriately. Initially, the government stonewalled their pleas. But an increasingly acrimonious battle led to an inquiry by the Parliamentary Ombudsman at Westminster and her damning report of 1998, "Equitable Life: A decade of regulatory failure".

She concluded that compensation was appropriate. Although she did not spell out who should get what, she recommended the establishment of a scheme of payments.

In October 2010 the coalition government accepted that 1.5 million policyholders had suffered a £4.3 billion loss, but given the state of the public finances it would set aside just £1.5bn for compensation payments.

Last week it announced that a compensation scheme run by National Savings & Investments would begin making payments by the end of this June.

But compensation for many will be a fraction of what they were hoping for, and some still face delays of years before being paid, with redress phased over a long period. For example, it is estimated that 200,000 policyholders will get less than £50, and around £500,000 between £50 and £500.

Twelve, however, are in line for big payouts of £200,000 or more.

So how much might you get, when and how? We answer your questions.

Q: I had an Equitable policy. Will I be paid compensation?

A: That depends on what kind of policy you had and when. If you had a conventional with-profits policy or a with-profits annuity between 1 September, 1992, and 31 December, 2000, then you might be in for a payout. This was the period when regulatory supervision is deemed to have failed.

As well as this, many invested via a different kind of with-profit contract known as an accumulating policy, either as an individual or commonly via a company or group pension arrangement, including additional voluntary contributions. In this case, you had to either have begun the policy during the above dates, or paid a premium into it between September 1993 and 2000.

Q: How much will I get?

A: That will depend on what kind of policy you had and your comparative loss.

Q: What is a relative loss?

A: The government has come up with a formula designed to work out how much better or worse off you would have been if you had never invested with Equitable but had with an entirely different company. This is the "relative loss" on which compensation will be based.

It will not necessarily reflect the scale of the loss which many victims believe they suffered. Many invested with the company because of the promises of superior returns, which were never achieved either by itself or its competitors.

Furthermore, the crisis at Equitable led to the company switching investments out of equities and into bonds. As such, as share prices crashed when the dotcom bubble burst in the early years of the millennium, investors were protected. In the end, Equitable was by no means the worst performer.

Q: Will I be compensated for this relative loss?

A: Not necessarily, no. The government has decided that with-profit annuitants who opted for an investment link to their payments in retirement should receive 100 per cent of any relative loss, which will swallow about £600,000 of the £1.5 million available.

Other investors must share what is left and are likely therefore to receive only about a fifth of the relative loss. This too will be spread over time, with £1m set aside to fund priority cases in the first three years of the scheme.

Half of those who lost out are on target for a very trivial sum.

Q: My investment took a hit not only because of the reductions in value, but because I decided to move my money out due to all the uncertainty and suffered big exit penalties. Will I be compensated for this too?

A: Yes, in so much as it will be taken into consideration when calculating the relative loss.

Q: I tried to fill the gaps in my company pension by saving on top via an Additional Voluntary Contribution arrangement. My company had nominated Equitable as its AVC provider. Will I get a cheque?

A: This group may experience the most delays in receiving compensation. In theory, anyone with any form of company pension will be treated in the same way as individuals. However, contact will first be made with the scheme trustees, who will decide how best to contact members. For this reason investors should not expect to be contacted until June 2012 at the earliest.

Q: I have one policy which made a hefty loss, but another which could well end up showing a profit. Will I receive compensation?

A: Unfortunately, where you have two policies, one with a loss and another with a profit, the profit will offset the loss, so you may not receive anything.

Q: Just how small could these payments be?

A: Very. All with-profit losses, no matter how small, will be paid. Conventional and accumulating contracts will have to share the funding set aside for them on a pro rata basis, depending on the size of their investments. This has been calculated to mean they will receive 22.4 per cent of their relative loss. However, if the loss is below £10 they will get nothing.

Q: What shall I do next?

A: Nothing. The company should contact you shortly. It has pledged to contact all individuals before next June. With-profit annuitants will be the first to be approached. After that the oldest policyholders will be prioritised. Finally, compensation due to estates of deceased members will also be looked at with some urgency.

Your letters should include a statement of your investment and any loss and a timetable for receiving it.

Some lower-priority members will not receive a payment until after June 2012, or even 2013. However, they should have received a letter by June 2012 telling them what their position is. Even if you are not due compensation you should receive a letter explaining why.

Q: Will the payments be taxed or affect my benefits?

A: They will not be taxable. However, they will be treated as a capital payment for benefit purposes, so could affect any means-tested benefits you receive.